



CELEBRATING 60 YEARS  
OF BOSTON PIZZA

# BOSTON PIZZA

ROYALTIES INCOME FUND

FIRST QUARTER REPORT 2024  
FOR THE PERIOD JANUARY 1 TO MARCH 31, 2024





## **CELEBRATING 60 YEARS OF BOSTON PIZZA**

In 2024, Boston Pizza is celebrating its remarkable 60th anniversary, marking six decades of culinary innovations, warm hospitality, and unforgettable dining experiences.



Originating in Edmonton, Alberta in 1964, when Greek immigrant Gus Agioritis established Boston Pizza and Spaghetti House, the concept swiftly gained popularity, paving the way for a franchise. The first franchisee was former R.C.M.P. officer, Jim Treiving, who opened his initial restaurant in Penticton, British Columbia in 1968. This venture brought him into contact with chartered accountant George Melville, who became Jim Treiving's eventual business partner. Over the following decade, the duo cultivated a network of 16 restaurants in British Columbia, gaining invaluable experience that would later propel them into their roles as franchisors of Boston Pizza International Inc. ("BPI"). In 1983, Jim Treiving and George Melville acquired BPI along with its 44 restaurants from the then owner Ron Coyle. Promptly divesting their own restaurants to franchisees, they instituted systems and standards conducive to sustained national growth. The expansion into Eastern Canada became a reality in September 1998, with the opening of the first location in Ottawa, Ontario. In 2017, as part of a meticulously planned succession, Jim Treiving and George Melville restructured their jointly-owned assets, resulting in Jim Treiving assuming full ownership of BPI.



There are currently over 370 Boston Pizza restaurants in Canada, stretching from Victoria to St. John's, with all but one of these restaurants being owned and operated by independent franchisees.



From its humble beginnings to becoming a beloved institution, Boston Pizza has been a gathering place for communities across Canada for 60 years, providing guests with much needed opportunities to share food, share life and connect. In every Boston Pizza location, guests enjoy a comfortable atmosphere, professional service and an appealing and diverse menu. Whether it's a business lunch, family dinner or watching the game with friends, Boston Pizza provides its guests the opportunity to enjoy great food in a relaxed and inviting setting. It is this combination of key ingredients that has enabled Boston Pizza to serve more guests in more locations than any other full-service restaurant brand in Canada.



Sixty years from the opening of the inaugural Edmonton location, Jim Treiving remains at the helm, his unwavering vision, ambition, and drive ensuring the perpetual advancement and innovation of Boston Pizza.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA ROYALTIES INCOME FUND**  
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**FINANCIAL HIGHLIGHTS**

The tables below set out selected information from the unaudited condensed consolidated interim financial statements of Boston Pizza Royalties Income Fund (the “**Fund**”), which includes the accounts of the Fund, its wholly-owned subsidiaries Boston Pizza Holdings Trust (the “**Trust**”), Boston Pizza Holdings GP Inc. (“**Holdings GP**”) and Boston Pizza Holdings Limited Partnership (“**Holdings LP**”), its 80% owned subsidiary Boston Pizza GP Inc. (“**Royalties GP**”), and Boston Pizza Royalties Limited Partnership (“**Royalties LP**”), together with other information and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Fund for the three month periods ended March 31, 2024 and March 31, 2023, and the Fund’s audited annual consolidated financial statements for the year-ended December 31, 2023. The financial information in the tables included in this Management’s Discussion and Analysis (“**MD&A**”) are reported in accordance with IFRS Accounting Standards (“**IFRS**”) except as otherwise noted and are stated in Canadian dollars. Capitalized terms used in the tables and notes below are defined elsewhere in this MD&A.

<i>For the periods ended March 31</i>	Q1 2024	Q1 2023
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)		
Number of restaurants in Royalty Pool	372	377
Franchise Sales reported by restaurants in the Royalty Pool	222,032	224,201
Royalty income	8,881	8,968
Distribution Income	2,919	2,949
Total revenue	11,800	11,917
Administrative expenses	(436)	(391)
Interest expense on debt and financing fees	(828)	(850)
Interest expense on Class B Unit liability	(729)	(632)
Interest income	66	68
Profit before fair value gain (loss) and income taxes	9,873	10,112
Fair value gain (loss) on investment in BP Canada LP	2,128	(218)
Fair value (loss) gain on Class B Unit liability	(948)	97
Fair value gain (loss) on Swaps	188	(892)
Current and deferred income tax expense	(2,774)	(2,430)
Net and comprehensive income	8,467	6,669
Basic earnings per Unit	0.40	0.31
Diluted earnings per Unit	0.37	0.24
<u>Distributable Cash<sup>1</sup> / Distributions / Payout Ratio<sup>2</sup></u>		
Cash flows generated from operating activities	9,100	9,220
BPI Class B Unit entitlement <sup>3</sup>	(1,072)	(1,038)
Interest paid on debt	(808)	(914)
Current income tax expense	(2,365)	(2,390)
Current income tax paid	2,462	2,311
Distributable Cash	7,317	7,189
Distributions paid	7,086	6,585
Payout Ratio	96.8%	91.6%
Distributable Cash per Unit <sup>4</sup>	0.344	0.334
Distributions paid per Unit	0.333	0.306
<u>Other</u>		
Same Restaurant Sales <sup>5</sup>	(1.0%)	25.7%
Number of restaurants opened	1	0
Number of restaurants closed	3	1
	Mar 31, 2024	Dec 31, 2023
Total assets	415,517	413,055
Total liabilities	132,973	134,169

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Notes – Non-GAAP and Specified Financial Measures**

- 1 **“Distributable Cash”** is a non-GAAP financial measure under National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* (“**NI 52-112**”). Distributable Cash is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The Fund defines Distributable Cash to be, in respect of any particular period, the Fund’s cash flows generated from operating activities for that period (being the most comparable financial measure in the Fund’s primary financial statements) minus (a) BPI’s (as defined below) entitlement in respect of its Class B Units in respect of the period (see note 3 below), minus (b) interest paid on debt during the period, minus (c) principal repayments on debt that are contractually required to be made during the period, minus (d) the current income tax expense in respect of the period, plus (e) current income tax paid during the period (the sum of (d) and (e) being “**SIFT Tax on Units**”). Management believes that Distributable Cash provides investors with useful information about the amount of cash the Fund has generated and has available for distribution on the Units in respect of any period. The tables in the “Financial Highlights” section of this MD&A provide a reconciliation from this non-GAAP financial measure to cash flows generated from operating activities, which is the most directly comparable IFRS measure. Current income tax expense in respect of any period is prepared using reasonable and supportable assumptions (including that the base rate of SIFT Tax (as defined below) will not increase throughout the calendar year and that certain expenses of the Fund will continue to be deductible for income tax purposes), all of which reflect the Fund’s planned courses of action given management’s judgment about the most probable set of economic conditions. There is a risk that the federal government of Canada could increase the base rate of SIFT Tax or that applicable taxation authorities could assess the Fund on the basis that certain expenses of the Fund are not deductible. Investors are cautioned that if either of these possibilities occurs, then the actual results for this component of Distributable Cash may vary, perhaps materially, from the amounts used in the reconciliation.
- 2 **“Payout Ratio”** is a non-GAAP ratio under NI 52-112. Payout Ratio is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The Fund defines Payout Ratio for any period as the aggregate distributions paid by the Fund during that period divided by the Distributable Cash generated in that period. Management believes that Payout Ratio provides investors with useful information regarding the extent to which the Fund distributes cash generated on Units.
- 3 **“BPI Class B Unit entitlement”** is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. The BPI Class B Unit entitlement is the interest expense on Class B Units in respect of a period plus management’s estimate of how much cash BPI would be entitled to receive pursuant to the limited partnership agreement governing Royalties LP (a copy of which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)) on its Class B Units if Royalties LP fully distributed any residual cash generated in respect of that period after the Fund pays interest on debt, principal repayments on debt and SIFT Tax on Units in respect of that period. Management believes that the BPI Class B Unit entitlement is an important component in calculating Distributable Cash since it represents the amount of residual cash generated that BPI would be entitled to receive and therefore would not be available for distribution to Unitholders. Management prepares such estimate using reasonable and supportable assumptions that reflect the Fund’s planned courses of action given management’s judgment about the most probable set of economic conditions.
- 4 **“Distributable Cash per Unit”** is a non-GAAP ratio under NI 52-112. Distributable Cash per Unit is not a standardized financial measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The Fund defines Distributable Cash per Unit for any period as the Distributable Cash generated in that period divided by the weighted average number of Units outstanding during that period. Management believes that Distributable Cash per Unit provides investors with useful information regarding the amount of cash per Unit that the Fund has generated and has available for distribution in respect of any period.
- 5 **“Same Restaurant Sales”** or **“SRS”** is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. The Fund defines SRS as the change in Franchise Sales of Boston Pizza Restaurants as compared to the Franchise Sales for the same

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period in the previous year (where restaurants were open for a minimum of 24 months). The Fund believes that SRS provides Unitholders meaningful information regarding the performance of Boston Pizza Restaurants.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**SUMMARY OF QUARTERLY RESULTS**

	Q1 2024	Q4 2023	Q3 2023	Q2 2023
(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)				
Number of restaurants in Royalty Pool	372	377	377	377
Franchise Sales reported by restaurants in the Royalty Pool	222,032	227,665	240,139	233,650
Royalty income	8,881	9,106	9,606	9,346
Distribution Income	2,919	2,992	3,155	3,071
Total revenue	11,800	12,098	12,761	12,417
Administrative expenses	(436)	(347)	(350)	(401)
Interest expense on debt and financing fees	(828)	(839)	(838)	(843)
Interest expense on Class B Unit liability	(729)	(1,321)	(1,055)	(982)
Interest income	66	57	72	79
Profit before fair value gain (loss) and income taxes	9,873	9,648	10,590	10,270
Fair value gain (loss) on investment in BP Canada LP	2,128	928	(7,857)	8,511
Fair value (loss) gain on Class B Unit liability	(948)	(414)	3,501	(3,792)
Fair value gain (loss) on Swaps	188	(2,250)	333	1,373
Current and deferred income tax expense	(2,774)	(2,695)	(1,673)	(3,576)
Net and comprehensive income	8,467	5,217	4,894	12,786
Basic earnings per Unit	0.40	0.25	0.23	0.59
Diluted earnings per Unit	0.37	0.24	0.06	0.59
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows generated from operating activities	9,100	9,288	9,659	9,759
BPI Class B Unit entitlement	(1,072)	(1,081)	(740)	(1,006)
Interest paid on debt	(808)	(817)	(825)	(848)
Current income tax expense	(2,365)	(2,445)	(2,603)	(2,511)
Current income tax paid	2,462	2,424	2,770	2,456
Distributable Cash	7,317	7,369	8,261	7,850
Distributions paid	7,086	6,830	6,848	6,909
Payout Ratio	96.8%	92.7%	82.9%	88.0%
Distributable Cash per Unit	0.344	0.346	0.387	0.365
Distributions paid per Unit	0.333	0.321	0.321	0.321
<u>Other</u>				
Same Restaurant Sales	(1.0%)	0.6%	5.3%	6.6%
Number of restaurants opened	1	1	0	0
Number of restaurants closed	3	4	0	1

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**SUMMARY OF QUARTERLY RESULTS (continued)**

	Q1 2023	Q4 2022	Q3 2022	Q2 2022
<i>(in thousands of dollars – except restaurants, SRS, Payout Ratio and per Unit items)</i>				
Number of restaurants in Royalty Pool	377	383	383	383
Franchise Sales reported by restaurants in the Royalty Pool	224,201	227,163	229,848	219,384
Royalty income	8,968	9,087	9,194	8,775
Distribution Income	2,949	2,988	3,027	2,895
Total revenue	11,917	12,075	12,221	11,670
Administrative expenses	(391)	(369)	(334)	(349)
Interest expense on debt and financing fees	(850)	(812)	(886)	(977)
Interest expense on Class B Unit liability	(632)	(1,557)	(835)	(733)
Interest income	68	61	31	10
Profit before fair value (loss) gain and income taxes	10,112	9,398	10,197	9,621
Fair value (loss) gain on investment in BP Canada LP	(218)	(1,146)	2,183	(14,622)
Fair value gain (loss) on Class B Unit liability	97	510	(972)	6,515
Fair value (loss) gain on Swaps	(892)	106	572	1,337
Current and deferred income tax expense	(2,430)	(2,462)	(2,478)	(1,075)
Net and comprehensive income	6,669	6,406	9,502	1,776
Basic earnings per Unit	0.31	0.30	0.44	0.08
Diluted earnings (loss) per Unit	0.24	0.26	0.41	(0.20)
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows generated from operating activities	9,220	8,919	9,667	9,118
BPI Class B Unit entitlement	(1,038)	(1,044)	(1,083)	(888)
Interest paid on debt	(914)	(799)	(939)	(954)
Principal repayments on debt	-	-	-	(1,000)
Current income tax expense	(2,390)	(2,422)	(2,438)	(2,285)
Current income tax paid	2,311	2,585	2,270	2,185
Distributable Cash	7,189	7,239	7,477	6,176
Distributions paid	6,585	8,329	6,133	5,488
Payout Ratio	91.6%	115.1%	82.0%	88.9%
Distributable Cash per Unit	0.334	0.336	0.347	0.287
Distributions paid per Unit	0.306	0.387	0.285	0.255
<u>Other</u>				
Same Restaurant Sales	25.7%	24.5%	8.4%	64.9%
Number of restaurants opened	0	0	0	0
Number of restaurants closed	1	3	1	0

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**OVERVIEW**

This MD&A covers the three-month period from January 1, 2024 to March 31, 2024 (the “**Period**”) and is dated May 9, 2024. It provides additional analysis of the operations, financial position and financial performance of the Fund and should be read in conjunction with the Fund’s applicable condensed consolidated interim financial statements and accompanying notes. The condensed consolidated interim financial statements of the Fund are in Canadian dollars and have been prepared in accordance with IFRS except as otherwise noted.

**Purpose of the Fund / Sources of Revenue**

The Fund is a limited purpose open-ended trust established in July 2002, and the units of the Fund (the “**Units**”) trade on the Toronto Stock Exchange under the symbol BPF.UN. The Fund was originally created to acquire, indirectly through Royalties LP, the Canadian trademarks owned by Boston Pizza International Inc. (“**BPI**”, and where applicable also includes its wholly-owned subsidiaries) (collectively, the “**BP Rights**”<sup>6</sup>) used in connection with the operation of Boston Pizza restaurants in Canada (“**Boston Pizza Restaurants**”) and the business of BPI, its affiliated entities and franchisees (herein referred to as “**Boston Pizza**”). In May 2015, the Fund, indirectly through Holdings LP, completed an investment in Boston Pizza Canada Limited Partnership (“**BP Canada LP**”) to effectively increase the Fund’s interest in Franchise Sales (as defined below) of Boston Pizza Restaurants in the Royalty Pool (as defined below) by 1.5%, from 4.0% to 5.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund. BP Canada LP is a limited partnership controlled and operated by BPI and is the exclusive franchisor of Boston Pizza Restaurants.

The Fund has the following principal sources of revenue:

Royalty

Royalties LP licenses the BP Rights to BPI in return for BPI paying Royalties LP a royalty equal to 4.0% (the “**Royalty**”) of Franchise Sales of those Boston Pizza Restaurants included in the Royalty Pool, as defined in the license and royalty agreement dated July 17, 2002, as amended on May 9, 2005 between Royalties LP and BPI. As of March 31, 2024, there were 372 Boston Pizza Restaurants in the Royalty Pool, of which approximately 370 were operating and open for business to the public.<sup>7</sup>

“**Franchise Sales**” means the gross revenue: (i) of the corporate Boston Pizza Restaurants owned by BPI that are in the Royalty Pool; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants that are in the Royalty Pool, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts and excluding applicable sales and similar taxes. Nevertheless, BP Canada LP periodically conducts audits of the Franchise Sales reported to it by its franchisees, and the Franchise Sales reported herein include results from sales audits of earlier periods.

Distribution Income

Holdings LP holds Class 1 limited partnership units (“**Class 1 LP Units**”) and Class 2 limited partnership units (“**Class 2 LP Units**”) of BP Canada LP, and BPI holds, indirectly through Boston Pizza Canada Holdings Partnership (“**BPCHP**”), a general partnership owned and controlled by BPI, Class 2 general partnership units (“**Class 2 GP Units**”) of BP Canada LP, which are exchangeable into Units. The Class 1 LP Units and Class 2

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6 BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the *Trademarks Act* (Canada) and other trademarks and trade names which are confusingly similar to any of the registered or pending trademarks. The BP Rights purchased do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the *Trademarks Act* (Canada).

7 Boston Pizza Restaurants may temporarily or permanently close for a variety of reasons. The Royalty Pool is adjusted only once a year on January 1 to add new Boston Pizza Restaurants that opened and to remove Boston Pizza Restaurants that permanently closed. Accordingly, the number of Boston Pizza Restaurants in the Royalty Pool at any time may exceed the number of Boston Pizza Restaurants that are actively operating and open for business to the public. See “Overview - Addition of New Restaurants to Royalty Pool” below for more information regarding adjustments to the Royalty Pool.

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LP Units entitle Holdings LP to receive distributions from BP Canada LP equal, in aggregate, to 1.5% of Franchise Sales, less the *pro rata* portion payable to BPI in respect of its retained interest in the Fund ("**Distribution Income**"). Specifically, the Class 1 LP Units entitle Holdings LP to receive a priority distribution equal to the amount of interest that Holdings LP pays on amounts drawn on Facility D (as defined below) plus 0.05% of that amount, with the balance of 1.5% of Franchise Sales being distributed *pro rata* to Holdings LP and BPI on the Class 2 LP Units and Class 2 GP Units, respectively.

**Top-Line Fund / Increases in Franchise Sales**

The Fund effectively has the right to receive from BPI and BP Canada LP an amount equal to 5.5% of Franchise Sales (4.0% of which is payable via the Royalty and 1.5% of which is payable as Distribution Income on the Class 1 LP Units and Class 2 LP Units), less the *pro rata* portion payable to BPI in respect of its retained interest in the Fund. A key attribute of the Fund's structure is that it is a "top-line" fund. Both Royalty and Distribution Income of the Fund are based on Franchise Sales of Boston Pizza Restaurants in the Royalty Pool and are not determined by the profitability of BPI, BP Canada LP or Boston Pizza Restaurants in the Royalty Pool. The Fund's cash payments include administrative expenses, principal repayments and interest expenses on debt, amounts paid by Royalties LP to BPI on the Class B general partner units ("**Class B Units**") of Royalties LP, and current income tax. Therefore, the Fund is not subject to the variability of earnings or expenses associated with an operating business. Given this structure, the success of the Fund depends primarily on the ability of BPI and BP Canada LP to maintain and increase Franchise Sales of Boston Pizza Restaurants in the Royalty Pool.

Increases in Franchise Sales and resulting Royalty and Distribution Income are derived from both new Boston Pizza Restaurants added to the Royalty Pool and SRS. The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque. Increased average cheque levels are achieved through a combination of menu mix changes and increases to menu prices. However, the extent to which menu price increases result in increased average guest cheque is dependent upon consumer reaction to the price increases. Boston Pizza's ability to increase SRS is dependent upon existing Boston Pizza Restaurants maintaining operational excellence, general market conditions, weather, menu pricing, and marketing programs undertaken by BPI and BP Canada LP. One of BPI's and BP Canada LP's competitive strengths in increasing Franchise Sales of existing restaurants is that the standard franchise agreement for Boston Pizza Restaurants requires that each Boston Pizza Restaurant undergoes a complete restaurant renovation every seven years and completes equipment upgrades as required by BP Canada LP. Restaurants typically close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

Franchise Sales are also affected by the permanent closures of Boston Pizza Restaurants. A Boston Pizza Restaurant is closed when it ceases to be viable or when the franchise agreement applicable to that Boston Pizza Restaurant has expired or been terminated.

**Addition of New Restaurants to Royalty Pool**

On January 1 of each year (each, an "**Adjustment Date**"), an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened ("**New Restaurants**") and to remove any Boston Pizza Restaurants that permanently closed since January 1 of the previous year ("**Closed Restaurants**"). In return for adding new Royalty and Distribution Income from the New Restaurants after subtracting the Royalty and Distribution Income that is lost from the Closed Restaurants<sup>8</sup> (such difference, "**Net Royalty and Distribution Income**"), BPI receives the right to indirectly acquire additional Units (in respect of the Royalty, "**Class B Additional Entitlements**" and in respect of Distribution Income, "**Class 2 Additional Entitlements**", and collectively, "**Additional Entitlements**"). The calculation of Additional Entitlements is designed to be accretive to unitholders of the Fund ("**Unitholders**") as the expected increase in Franchise Sales from the New Restaurants added to the Royalty Pool less the decrease in Franchise Sales from the Closed Restaurants is valued at a 7.5% discount. The Additional Entitlements are calculated at 92.5% of the estimated Royalty and Distribution Income expected to be generated by the New Restaurants less the actual Royalty and Distribution Income lost from the Closed

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<sup>8</sup> The Royalty and Distribution Income that is lost from the Closed Restaurants is calculated based upon the actual Franchise Sales received from the Closed Restaurants during the 12-month period immediately following their addition to the Royalty Pool.

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Restaurants, multiplied by one minus the effective tax rate estimated to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average Unit price over a specified period. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the New Restaurants and the actual effective tax rate paid by the Fund are known with certainty (such balance of Units in respect of the increased Royalty, the “**Class B Holdback**”, and in respect of the increased Distribution Income, the “**Class 2 Holdback**”, and collectively, the “**Holdback**”). BPI receives 100% of the distributions on the Additional Entitlements throughout the year. After the New Restaurants have been part of the Royalty Pool for a full year, an audit of the Franchise Sales of these restaurants is performed, and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

It is possible that on an Adjustment Date, the Net Royalty and Distribution Income is negative as a result of the estimated Royalty and Distribution Income expected to be generated by the New Restaurants being less than the actual Royalty and Distribution Income that is lost from the Closed Restaurants (the amount by which it is less is the “**Deficiency**”). In such case, BPI would not receive any Additional Entitlements, however, nor would BPI lose any of the Additional Entitlements previously received by BPI. Rather, on future Adjustment Dates, BPI would be required to make-up the Deficiency by first adding Net Royalty and Distribution Income in an amount equal to the Deficiency before receiving any further Additional Entitlements (i.e., BPI only receives Additional Entitlements in respect of the cumulative amount by which Royalty and Distribution Income from New Restaurants exceeds actual Royalty and Distribution Income lost from Closed Restaurants).

**Economic Uncertainties**

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, are dependent upon many economic factors. In 2023 and the first quarter of 2024, Boston Pizza Restaurants were challenged, among other things, by impacts of inflation, increases in interest rates, rising input costs, decreased labour availability and changes in consumer confidence. However, despite these challenges, Boston Pizza Restaurants have been able to generate solid Franchise Sales and offer affordable dining options, both on and off-premise, for guests in economically uncertain times. As demonstrated during COVID-19, BPI, BP Canada LP and Boston Pizza Restaurants have the ability to adapt to changes in operating environments and economic conditions. For additional information regarding economic uncertainties, refer to the “Risks & Uncertainties – Risks Related to the Business of BPI and BP Canada LP” section of the Fund’s MD&A for the fiscal year ended December 31, 2023 (a copy of which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)).

**Seasonality**

Boston Pizza Restaurants typically experience seasonal fluctuations in Franchise Sales, which are inherent in the full-service restaurant industry in Canada. Seasonal factors, such as tourism and better weather generally allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters. Seasonality’s general effect on Franchise Sales impacts the Fund’s Distributable Cash and Payout Ratio.

**New Restaurant Openings, Closures and Renovations**

During the Period, there was one New Restaurant and three Closed Restaurants. As well, seven Boston Pizza Restaurants were renovated during the Period. Boston Pizza Restaurants typically close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

**OPERATING RESULTS**

**Same Restaurant Sales and Franchise Sales**

SRS was negative 1.0% for the Period compared to positive 25.7% reported in the first quarter of 2023. SRS for the Period was principally due to macroeconomic challenges faced by the full-service industry, partially offset by

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menu price increases. The COVID-19 restrictions that existed during the first quarter of 2022 were a significant factor in the positive SRS reported in the first quarter of 2023.

Franchise Sales of Boston Pizza Restaurants in the Royalty Pool were \$222.0 million for the Period compared to \$224.2 million for the first quarter of 2023. The \$2.2 million decrease in Franchise Sales for the Period was primarily due to negative SRS.

**Royalty and Distribution Income**

Royalty and Distribution Income earned by the Fund was \$8.9 million and \$2.9 million for the Period, respectively, compared to \$9.0 million and \$2.9 million, respectively, for the first quarter of 2023. Royalty and Distribution Income in respect of the Period was based on the Royalty Pool of 372 Boston Pizza Restaurants reporting Franchise Sales of \$222.0 million. In the first quarter of 2023, Royalty and Distribution Income was based on the Royalty Pool of 377 Boston Pizza Restaurants reporting Franchise Sales of \$224.2 million. The decrease in Royalty and Distribution Income for the Period was primarily due to negative SRS.

**Administrative Expenses**

Administrative expenses incurred by the Fund were \$0.4 million for the Period compared to \$0.4 million for the first quarter of 2023. Administrative expenses are comprised of professional fees, trustee fees and expenses, the reimbursement charge payable to BPI and other general and administrative expenses.

**Net Interest Expense**

Net interest expense incurred by the Fund totaled \$1.5 million for the Period, comprised of interest on debt and financing fees of \$0.8 million and interest on Class B Units of \$0.7 million, partially offset by interest income of \$0.1 million. Net interest expense incurred by the Fund totaled \$1.4 million for the first quarter of 2023, comprised of interest on debt and financing fees of \$0.9 million and interest on Class B Units of \$0.6 million, partially offset by interest income of \$0.1 million. The Class B Units are classified as financial liabilities and therefore, amounts paid by Royalties LP to BPI in respect of the Class B Units are classified as interest expense and not distributions. The \$0.1 million increase in net interest expense for the Period was primarily due to a \$0.1 million increase in interest expense on Class B Units due to the 2023-2024 Distribution Increases (as defined below) compared to the same period in 2023, partially offset by a nominal decrease in interest expense on debt due to lower credit spreads.

**Profit before Fair Value Gain (Loss) and Income Taxes**

The Fund's profit before fair value gain (loss) and income taxes was \$9.9 million for the Period compared to \$10.1 million for the first quarter of 2023. The \$0.2 million decrease in profit before fair value gain (loss) and income taxes for the Period was primarily due to lower Royalty and Distribution income of \$0.1 million and an increase in net interest expense of \$0.1 million.

**Fair Value Gain (Loss)**

The Fund classifies the investment in Class 1 LP Units and Class 2 LP Units as financial assets at fair value through profit or loss, the Class B Unit liability as a financial liability at fair value through profit or loss, and Swaps (as defined below) as derivative instruments. As such, fair value adjustments are recognized in the Fund's statements of comprehensive income in accordance with IFRS. For additional information regarding Swaps, refer to the "Liquidity & Capital Resources – Interest Rate Swaps" section of this MD&A. For additional information regarding financial liabilities and assets at fair value, refer to the "Critical Accounting Estimates" section of this MD&A.

During the Period, the Fund recognized a fair value gain of \$1.4 million compared to a fair value loss of \$1.0 million for the same period in 2023. The change in fair value was principally due to the change in the price of Units, which is used to estimate the value of the Class 2 LP Units and upon which the Class B Unit liability is measured. Changes in interest rates, upon which the Swaps are measured, also impact the change in fair value.

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The Fund indirectly acquired the Class 1 LP Units on May 6, 2015 for \$33.3 million. The Class 1 LP Units are entitled to distributions determined with respect to the interest cost payable on Facility D. The Fund estimates the fair value of the Class 1 LP Units using a market-corroborated input, being the interest rate applicable on Facility D. Consequently, the Fund estimated the fair value of Class 1 LP Units as at March 31, 2024 to be \$33.3 million (December 31, 2023 – \$33.3 million), resulting in no fair value adjustment for the Period.

The Fund estimates the fair value of the Class 2 LP Units by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of the Units on the last business day of the Period. Based on the Fund's closing price of \$15.72 per Unit on March 31, 2024 (December 31, 2023 – \$15.33 per Unit) and the 5,455,762 Class 2 LP Units held by the Fund (December 31, 2023 – 5,455,762), the fair value of the Class 2 LP Units was estimated to be \$85.8 million (December 31, 2023 – \$83.6 million), resulting in a fair value gain of \$2.1 million for the Period. In general, the fair value of the Class 2 LP Units will increase as the market price of Units increases and vice versa.

The Fund estimates the fair value of the Class B Unit liability by multiplying the number of Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of the Units on the last business day of the Period. Based on the Fund's closing price of \$15.72 per Unit on March 31, 2024 (December 31, 2023 – \$15.33 per Unit) and the 2,430,823 Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI (December 31, 2023 – 2,430,823), the Class B Unit liability (on a fully-diluted basis) was valued at \$38.2 million (December 31, 2023 – \$37.3 million), resulting in a fair value loss of \$0.9 million. In general, the Fund's Class B Unit liability will increase as the market price of Units increases and vice versa. In addition, the Fund's Class B Unit liability increases as the number of Units BPI would be entitled to receive if it exchanged all of its Class B Units (including the Class B Holdback) increases and vice versa.

The Fund recognized a fair value gain of \$0.2 million in the Period as a result of the increase in the fair value of the Swaps due to changes in interest rates during the Period. For the same period in 2023, the Fund recognized a fair value loss of \$0.9 million as a result of the decrease in the fair value of the Swaps due to changes in interest rates.

**Income Taxes**

The Fund is subject to specified investment flow-through tax ("**SIFT Tax**"), which is the Fund's only current income tax expense.

The Fund's income tax expense for the Period was \$2.8 million, comprised of \$2.4 million in current income tax expense and \$0.4 million in non-cash deferred income tax expense. The Fund's income tax expense for the first quarter of 2023 was \$2.4 million, comprised of \$2.4 million in current income tax expense and nominal non-cash deferred income tax expense. The nominal decrease in current income tax expense is attributable to lower profit before fair value gain (loss) and income taxes. The \$0.4 million increase in non-cash deferred income tax expense is due to changes in the temporary differences between the accounting and tax base of: (i) the BP Rights owned by Royalties LP generated since the inception of the Fund; and (ii) the Fund's indirect investment in BP Canada LP.

**Net and Comprehensive Income / Basic and Diluted Earnings**

The Fund's net and comprehensive income was \$8.5 million for the Period compared to \$6.7 million for the first quarter of 2023. The Fund's basic earnings per Unit was \$0.40 for the Period compared to \$0.31 for the first quarter of 2023. The Fund's diluted earnings per Unit was \$0.37 for the Period compared to \$0.24 for the first quarter of 2023. The \$1.8 million increase in the Fund's net and comprehensive income for the Period compared to the first quarter of 2023 was primarily due to a \$2.4 million increase in fair value gain, partially offset by a \$0.4 million increase in deferred income tax expense and a \$0.2 million decrease in profit before fair value gain (loss) and income taxes.

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**Distributions**

During the Period, the Fund declared distributions on the Units in the aggregate amount of \$4.8 million or \$0.226 per Unit. During the first quarter of 2023, the Fund declared distributions on the Units in the aggregate amount of \$4.4 million or \$0.204 per Unit. During the Period, the Fund paid distributions on the Units in the aggregate amount of \$7.1 million or \$0.333 per Unit. During the first quarter of 2023, the Fund paid distributions on the Units in the aggregate amount of \$6.6 million or \$0.306 per Unit. The amount of distributions declared during the Period increased by \$0.4 million or \$0.022 per Unit due to the monthly distribution rate increasing from \$0.102 per Unit to \$0.107 per Unit commencing with the March 2023 distribution and increasing again from \$0.107 per Unit to \$0.113 per Unit commencing with the January 2024 distribution (collectively, the “**2023-2024 Distribution Increases**”). Distributions paid during the Period increased by \$0.5 million or \$0.027 per Unit due to the 2023-2024 Distribution Increases.

The Fund pays distributions on the Units in respect of any calendar month not later than the last business day of the immediately subsequent month. Consequently, monthly distributions payable by the Fund on the Units in respect of the Period were the January 2024 distribution (which was paid on February 29, 2024), the February 2024 distribution (which was paid on March 29, 2024), and the March 2024 distribution (which was declared and paid on April 30, 2024). Similarly, the distributions payable by the Fund on the Units in respect of any other period are paid in the immediately subsequent month of such period.

On February 13, 2024, the trustees of the Fund declared a distribution for the period of January 1, 2024 to January 31, 2024 of \$0.113 per Unit, which was paid on February 29, 2024 to Unitholders of record on February 21, 2024. This was an increase of \$0.006 per Unit, or 5.6%, from the previous monthly distribution rate of \$0.107 per Unit. On an annualized basis, the new monthly distribution rate equates to \$1.356 per Unit compared to \$1.284 per Unit for the previously monthly distribution rate.

On May 9, 2024, the trustees of the Fund declared a distribution for the period of April 1, 2024 to April 30, 2024 of \$0.113 per Unit, which will be payable on May 31, 2024 to Unitholders of record on May 21, 2024. Including the April 2024 distribution, which will be paid on May 31, 2024, the Fund will have paid out total distributions of \$432.4 million or \$26.47 per Unit, which includes 256 monthly distributions and two special distributions.

Distributions related to the Period were as follows:

<b>PERIOD</b>	<b>PAYMENT DATE</b>	<b>AMOUNT/UNIT</b>
December 1 – 31, 2023	January 31, 2024	10.7¢
January 1 – 31, 2024	February 29, 2024	11.3¢
February 1 – 29, 2024	March 29, 2024	11.3¢
March 1 – 31, 2024*	April 30, 2024*	11.3¢

\* Declared and paid subsequent to the Period.

Distributions for the Period were funded entirely by cash flows generated from operating activities. No debt was incurred at any point during the Period to fund distributions.

**Cash Flows from Operating Activities**

Cash generated from operating activities for the Period was \$9.1 million compared to \$9.2 million in the first quarter of 2023. The decrease of \$0.1 million was primarily due to an increase in income taxes paid of \$0.2 million and a decrease in Royalty and Distribution Income of \$0.1 million, partially offset by an increase in working capital of \$0.2 million.

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**Cash Flow used in Financing Activities**

During the Period, the Fund used \$8.9 million in cash for financing activities compared to \$8.4 million in the first quarter of 2023. The increase of \$0.5 million was due to higher distributions paid to Unitholders of \$0.5 million and higher interest paid on Class B Units of \$0.1 million, partially offset by a decrease in interest paid on debt of \$0.1 million.

**Distributable Cash / Distributable Cash per Unit**

The Fund generated Distributable Cash of \$7.3 million for the Period compared to \$7.2 million for the first quarter of 2023. The increase in Distributable Cash of \$0.1 million or 1.8% was primarily due to SIFT Tax on Units adjustment of \$0.2 million and lower interest paid on debt of \$0.1 million, partially offset by decreased cash flows generated from operating activities of \$0.1 million.

The Fund generated Distributable Cash per Unit of \$0.344 for the Period compared to \$0.334 per Unit for the first quarter of 2023. The increase in Distributable Cash per Unit of \$0.010 or 3.0% was primarily attributable to the increase in Distributable Cash outlined above and fewer Units outstanding compared to the same period in 2023 due to the NCIB (defined below).

The Fund's Distributable Cash and Distributable Cash per Unit since January 1, 2022, generated in each financial quarter, are as follows:

**Distributable Cash**

Distributable Cash					
<i>(in millions of dollars)</i>	Q1	Q2	Q3	Q4	Annual
2024	<b>\$ 7.3</b>				
2023	\$ 7.2	\$ 7.9	\$ 8.3	\$ 7.4	\$ 30.7
2022	\$ 4.7	\$ 6.2	\$ 7.5	\$ 7.2	\$ 25.6

**Distributable Cash per Unit**

Distributable Cash per Unit					
	Q1	Q2	Q3	Q4	Annual
2024	<b>\$ 0.344</b>				
2023	\$ 0.334	\$ 0.365	\$ 0.387	\$ 0.346	\$ 1.432
2022	\$ 0.218	\$ 0.287	\$ 0.347	\$ 0.336	\$ 1.189

**Payout Ratio**

The Fund's Payout Ratio for the Period was 96.8% compared to 91.6% in the first quarter of 2023. The increase in the Fund's Payout Ratio for the Period was due to distributions paid increasing by \$0.5 million or 7.6%, partially offset by Distributable Cash increasing by \$0.1 million or 1.8%.

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The Fund's quarterly and annual Payout Ratios with respect to each financial quarter since January 1, 2022 are as follows:

	Q1	Q2	Q3	Q4	Annual
2024	<b>96.8%</b>				
2023	91.6%	88.0%	82.9%	92.7%	88.6%
2022	116.8%	88.9%	82.0%	115.1%	99.4%

The Fund's Payout Ratio is typically higher in the first and fourth quarters compared to the second and third quarters since Boston Pizza Restaurants generally experience higher Franchise Sales levels during the summer months when restaurants open their patios and benefit from increased tourist traffic. On a trailing 12-month basis, the Fund's Payout Ratio was 89.9% as at March 31, 2024.

**New Restaurants Added to the Royalty Pool**

*Boston Pizza Restaurants Added to Royalty Pool on January 1, 2024*

On January 1, 2024, the Royalty Pool was adjusted to include one New Restaurant that opened across Canada during 2023, and to remove six Closed Restaurants that were permanently closed during 2023, resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 377 to 372. The estimated annual Franchise Sales in 2024 for the one New Restaurant that opened in 2023 is \$1.8 million. The actual Franchise Sales received from the six Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool was \$9.2 million. Accordingly, the resulting estimated annual net Franchise Sales for 2023 is negative \$7.5 million. Consequently, this resulted in the Net Royalty and Distribution Income having a Deficiency for 2023 of \$0.4 million (being 5.5% of negative \$7.5 million net Franchise Sales). Since there was a Deficiency for 2023 of \$0.4 million, BPI did not receive any Additional Entitlements on January 1, 2024. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for 2020 through 2023 on future Adjustment Dates by first adding Net Royalty and Distribution Income in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements. The following is a summary of the cumulative Deficiency that exists:

Adjustment Date	Actual / Estimated Franchise Sales of New Restaurants for Adjustment Date (in millions)*	Franchise Sales of Closed Restaurants for Adjustment Date (in millions)*	Net Franchise Sales for Adjustment Date (in millions)*	Deficiency, being 5.5% of Net Franchise Sales (in millions)*
January 1, 2021	\$3.1 <sup>†</sup>	\$18.5	(\$15.4)	(\$0.8)
January 1, 2022	--	\$6.2	(\$6.2)	(\$0.3)
January 1, 2023	--	\$6.8	(\$6.8)	(\$0.4)
January 1, 2024	\$1.8 <sup>††</sup>	\$9.2	(\$7.5)	(\$0.4)
<b>Cumulative</b>	<b>\$4.9</b>	<b>\$40.7</b>	<b>(\$35.9)</b>	<b>(\$2.0)</b>

\*Figures are rounded to one decimal place. <sup>†</sup>Determined in February 2022 after an audit of Franchise Sales for 2021 was performed on the New Restaurants. <sup>††</sup>To be determined and adjusted in February 2025 after an audit of Franchise Sales for 2024 is performed on the one New Restaurant for 2023, with the corresponding net Franchise Sales and Deficiency in respect of the Adjustment Date of 2024 being amended accordingly.

*Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2023*

Since no New Restaurants were opened during 2022 nor were added to the Royalty Pool on January 1, 2023, there was no need to conduct an audit to compare the actual Franchise Sales from New Restaurants that were opened in 2022 to the estimated amount of Franchise Sales expected to be generated by these New Restaurants during 2023 nor to compare the actual effective tax rate paid by the Fund for 2023 to the estimated effective tax rate the Fund expected to pay for 2023.

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**Normal Course Issuer Bid**

On June 15, 2023, the Fund announced that it had received Toronto Stock Exchange (“**TSX**”) approval of a Notice of Intention to Make a Normal Course Issuer Bid through the facilities of the TSX, other designated exchanges and/or alternative Canadian trading systems from June 20, 2023 to no later than June 19, 2024 (the “**NCIB**”). The NCIB permits the Fund to repurchase for cancellation up to 400,000 Units, being approximately 1.86% of the Fund’s issued and outstanding Units (as at June 6, 2023).

The Fund established an automatic securities purchase plan (the “**ASPP**”) with its broker to allow for the repurchase of Units under the NCIB at any time, including when it ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. The ASPP automatically terminated by its terms on August 22, 2023 as a result of the purchase limits specified in the ASPP having been attained. All purchases under the ASPP were made on the open market through the facilities of the TSX, other designated exchanges and/or alternative Canadian trading systems.

As at December 31, 2023, the Fund acquired a total of 242,900 Units at an average price of \$16.49 per Unit. The Fund did not acquire any additional Units under the NCIB after December 31, 2023. The Fund financed Units purchased under the NCIB from cash on hand. Unitholders may obtain, without charge, a copy of the Notice of Intention to Make a Normal Course Issuer Bid that the Fund filed with the TSX by contacting the Chief Financial Officer for the Fund. All Units that were or will be purchased under the NCIB were or will be cancelled.

**Units Outstanding**

The following table sets forth a summary of the outstanding Units. BPI owns 100% of the Class B Units and 1% of the ordinary general partner units of Royalties LP. BPI also owns 100% of the Class 2 GP Units, and 100% of the Class 3, Class 4, Class 5 and Class 6 general partnership units of BP Canada LP. The Class B Units and Class 2 GP Units are exchangeable for Units. References to “Class B Additional Entitlements” and “Class 2 Additional Entitlements” in the table below refer to the number of Units into which the Class B Units and Class 2 GP Units, respectively, are exchangeable as of the dates indicated.

	Issued and Outstanding Units and Additional Entitlements	Issued and Outstanding Units, Additional Entitlements and Holdback
<u>Units Outstanding</u>		
Issued and Outstanding Units as of March 31, 2024	21,278,563	21,278,563
<u>Class B Additional Entitlements Outstanding</u>		
Class B Additional Entitlements – Outstanding as of December 31, 2023	2,430,823	2,430,823
Class B Additional Entitlements – Issued as of January 1, 2024	--	-- (1)
Class B Holdback Created January 1, 2024	N/A	-- (1)
Class B Additional Entitlements – Issued in respect of 2023 after the audit	N/A	N/A (2)
Total Class B Additional Entitlements as of May 9, 2024	2,430,823	2,430,823
<u>Class 2 Additional Entitlements Outstanding</u>		
Class 2 Additional Entitlements – Outstanding as of December 31, 2023	831,354	831,354
Class 2 Additional Entitlements – Issued as of January 1, 2024	--	-- (1)
Class 2 Holdback Created January 1, 2024	N/A	-- (1)
Class 2 Additional Entitlements – Issued in respect of 2023 after the audit	N/A	N/A (2)
Total Class 2 Additional Entitlements as of May 9, 2024	831,354	831,354
<u>Summary as of May 9, 2024</u>		
Total Issued and Outstanding Units	21,278,563	21,278,563
Total Additional Entitlements	3,262,177	3,262,177
Fully Diluted Units	24,540,740	24,540,740
BPI's Percentage Ownership	13.3%	13.3%

- 1) No Additional Entitlements were issued to BPI and no Holdback was created since a Deficiency existed in respect of the January 1, 2024 Adjustment Date.
- 2) Since no New Restaurants were opened during 2022 nor were added to the Royalty Pool on January 1, 2023, there was no need to conduct an audit.

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BPI directly and indirectly holds 100% of the special voting units (the “**Special Voting Units**”) of the Fund, which entitle BPI to one vote in respect of matters to be voted upon by Unitholders for each Unit that BPI would be entitled to receive if it exchanged all of its Class B Units and Class 2 GP Units for Units. As of May 9, 2024, BPI was entitled to 3,262,177 votes, representing 13.3% of the aggregate votes held by holders of Units and Special Voting Units. The number of Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted periodically to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

**LIQUIDITY & CAPITAL RESOURCES**

The Fund’s long-term distribution policy is to distribute the total amount of cash received by the Fund from the Trust on the units of the Trust and notes of the Trust less the sum of: (a) administrative expenses and other obligations of the Fund; (b) amounts which may be paid by the Fund in connection with any cash redemptions of Units; (c) any interest expense incurred by the Fund; (d) any contractually required repayments of principal of the Fund’s indebtedness; and (e) reasonable reserves established by the trustees of the Fund in their sole discretion, including, without limitation, reserves to pay SIFT Tax, in order to maximize returns to Unitholders. In light of seasonal variations that are inherent to the restaurant industry, the Fund’s policy is to make equal distribution payments to Unitholders on a monthly basis in order to smooth out these fluctuations. Any further change in distributions will be implemented in such a manner so that the continuity of uniform monthly distributions is maintained, while making provisions for working capital due to seasonal variations of Boston Pizza Restaurant sales. It is expected that future distributions will continue to be funded entirely by cash flows from operations. The Fund believes its current sources of liquidity are sufficient to cover its currently known short and long-term obligations.

**Indebtedness**

Holdings LP and Royalties LP have credit facilities with a Canadian chartered bank (the “**Bank**”) in the amount of up to \$88.6 million expiring on July 1, 2026 (the “**Credit Facilities**”). The Credit Facilities are comprised of a: (a) \$2.0 million committed operating facility issued to Royalties LP (“**Facility A**”); (b) \$53.3 million committed non-revolving credit facility issued to Royalties LP for the purpose of refinancing Royalties LP’s previous credit facilities, to facilitate the Fund repurchasing and cancelling Units under normal course issuer bids or substantial issuer bids, to finance the cash component of any exchange of exchangeable units of BP Canada LP and to repay reimbursement charges owing by Royalties LP to BPI for performing administrative services to the Fund (“**Facility B**”); and (c) \$33.3 million committed non-revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units of BP Canada LP (“**Facility D**”). The amount available under Facility B permanently reduces whenever Royalties LP repays principal on Facility B. The principal amounts drawn on Facility A, Facility B and Facility D are due and payable upon maturity.

The Credit Facilities bear interest at variable interest rates as selected by Holdings LP and Royalties LP. In the case of Canadian prime rate loans, the interest rate is equal to the Bank’s prime rate plus between 0.00% and 0.65% (depending on the Fund’s total funded net debt to EBITDA ratio) and, in the case of bankers’ acceptances and Canadian dollar offered rate loans<sup>9</sup>, the interest rate is equal to a variable interest rate based on the Bank’s bankers’ acceptance rates or Canadian dollar offered rates plus between 1.25% and 1.85% (depending on the Fund’s total funded net debt to EBITDA ratio).

The Credit Facilities are secured by a first charge on the assets of Holdings LP and Royalties LP. The Credit Facilities continue to be guaranteed by the Fund and all of its subsidiaries, each of whom granted security over

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<sup>9</sup> A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“**IBOR**”) with alternative rates. On December 16, 2021, the Canadian Alternative Reference Rate working group (“**CARR**”) recommended that the administrator, Refinitiv Benchmark Services UK Limited (“**RBSL**”), cease publication of the Canadian Dollar Offered Rate (“**CDOR**”) settings immediately after June 28, 2024. On May 16, 2022, following public consultation, RBSL announced that all remaining CDOR settings will cease publication immediately after June 28, 2024, in line with CARR recommendations. As at March 31, 2024, the Fund’s IBOR exposure is indexed to CDOR. The alternative rate for CDOR is the Canadian Overnight Repo Rate Average (“**CORRA**”). The Fund is in discussions with the Bank to amend the Credit Facilities prior to June 28, 2024 to replace the current rates that are based upon CDOR with corresponding rates that are based upon CORRA. While the precise rates that will be based on CORRA have not yet been definitively agreed upon by the Fund and the Bank, the Fund does not expect these amendments to result in a material increase in the Fund’s cost of borrowing under the Credit Facilities.

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all its assets in favour of the Bank in support of such guarantees. Neither BPI nor any of its subsidiaries has guaranteed or provided any security in respect of the Credit Facilities.

The principal financial covenants of the Credit Facilities are that: (a) the Fund and its subsidiaries (including Holdings LP and Royalties LP), taken as a whole, shall maintain a total funded net debt to EBITDA ratio of not greater than 2.50:1 upon closing and until December 30, 2024 and not greater than 2.25:1 thereafter (tested quarterly); and (b) the total amount of certain permitted distributions of the Fund (including distributions to Unitholders) must not exceed the sum of the Fund's Distributable Cash (as Distributable Cash is defined in the First Amended and Restated Credit Agreement dated January 24, 2020) and cash on hand by greater than \$2.0 million (tested quarterly on a trailing 12-month basis). In addition, the agreements governing the Credit Facilities contain certain covenants and restrictions, including the requirement to meet the financial ratios described above. A failure of the Fund or its subsidiaries to comply with these covenants and restrictions could entitle the Bank to demand repayment of the outstanding balance drawn on the Credit Facilities prior to maturity. Royalties LP and Holdings LP were in compliance with all of their financial covenants and financial condition tests as at the end of the Period. Full particulars of the Credit Facilities, including applicable interest rates, security, guarantees and other terms and conditions are contained within the following agreements between the Fund and the Bank, a copy of each of which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca): (i) the First Amended and Restated Credit Agreement dated January 24, 2020; (ii) the First Supplemental Credit Agreement dated June 22, 2020; and (iii) the Second Supplemental Credit Agreement dated June 28, 2022.

As of March 31, 2024, Adjusted Working Capital<sup>10</sup> of the Fund totaled \$10.4 million compared to \$11.4 million on March 31, 2023. The Fund has no requirement to maintain a certain amount of working capital. As of March 31, 2024, no amounts were drawn on Facility A, \$53.3 million was drawn on Facility B and \$33.3 million was drawn on Facility D.

The following table provides a summary of the Fund's contractual obligations and commitments (including expected interest payments) as at March 31, 2024:

(in thousands of dollars)	< 1 year	1 - 5 years	Total	Book Value
Accounts payable and accrued liabilities	466	–	466	466
Credit Facilities and Swaps <sup>1</sup>	3,723	92,153	95,876	83,665
	4,189	92,153	96,342	84,131

Note:

- 1) The Credit Facilities and Swaps include expected interest payments based on the Fund's blended rate of 3.77% to the scheduled maturity date of the Credit Facilities of July 1, 2026 and excludes deferred financing costs of \$0.1 million.

**Interest Rate Swaps**

Royalties LP and Holdings LP, as applicable, previously entered into the following interest rate swaps under their respective International Swap Dealers Association Master Agreements with the Bank (the "Swaps"):

- (a) Royalties LP entered into a swap to fix the interest rate at 2.27% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term that expired on April 1, 2024 for \$15.0 million of the \$53.3 million drawn on Facility B;

<sup>10</sup> Adjusted Working Capital does not include the current portion of Class B Unit liability as this will be settled with equity rather than cash. Adjusted Working Capital is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. "Adjusted Working Capital" is defined as the Fund's current assets less current liabilities excluding the current portion of the Class B unit liability. The Fund believes this metric provides Unitholders useful information as Adjusted Working Capital represents the Fund's working capital amounts expected to be settled for actual cash within the next twelve months.

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- (b) Royalties LP entered into a swap to fix the interest rate at 2.28% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on February 1, 2027 for \$15.0 million of the \$53.3 million drawn on Facility B;
- (c) Royalties LP entered into a swap to fix the interest rate at 3.48% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on January 4, 2028 for \$15.0 million of the \$53.3 million drawn on Facility B;
- (d) Holdings LP entered into a swap to fix the interest rate at 1.02% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on August 14, 2025 for \$17.0 million of the \$33.3 million drawn on Facility D; and
- (e) Holdings LP entered into a swap to fix the interest rate at 1.09% plus between 1.25% and 1.85% per annum (depending upon debt to EBITDA ratios) for a term ending on March 1, 2026 for \$15.0 million of the \$33.3 million drawn on Facility D.

As of March 31, 2024, \$8.3 million drawn on Facility B and \$1.3 million drawn on Facility D bore interest at variable interest rates applicable to the Credit Facilities discussed above. As noted above, the Swap described in paragraph (a) above expired on April 1, 2024. Since then, the \$15.0 million previously fixed under that Swap bears interest at variable interest rates applicable to the Credit Facilities. The effective interest rate for all amounts borrowed by the Fund was 3.77% at March 31, 2024 (March 31, 2023 – 3.93%).

The Fund uses the Swaps to mitigate its exposure to interest rate risk related to the Credit Facilities. The Fund accounts for the Swaps as derivative instruments in accordance with IFRS. The fair market value of the Swaps is determined using valuation techniques at each reporting date and any change in the fair value of the Swaps is included in the Fund's comprehensive income or loss. The Fund recognized a \$0.2 million fair value gain on the Swaps for the Period in its consolidated statements of comprehensive income compared to a \$0.9 million fair value loss in the first quarter of 2023.

**Related Party Transactions**

BPI and BP Canada LP are considered to be related parties of the Fund by virtue of the common officers and directors of BPI and Royalties GP. The Fund's related party balances owing at the end of the Period and transactions for the Period were as follows:

(in thousands of dollars)	March 31, 2024	March 31, 2023
Royalty receivable from BPI	\$ 3,274	\$ 3,328
Distributions receivable from BP Canada LP	1,025	1,042
(in thousands of dollars)	Q1 2024	Q1 2023
Administrative services <sup>(1)</sup>	\$ 111	\$ 107
Royalty income	8,881	8,968
Distribution income	2,919	2,949
Interest expense on Class B unit liability	729	632

<sup>(1)</sup> The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund ("**Administrative Services**"). In turn, certain of the Administrative Services are performed by BPI as a general partner of Royalties LP. Under the terms of the partnership agreement governing Royalties LP, BPI is entitled to be reimbursed for certain out-of-pocket expenses incurred in performing the Administrative Services. BPI and Royalties LP agreed to limit the annual amount of out-of-pocket expenses for which BPI is entitled to be reimbursed to not more than \$0.4 million for 2020, 2021 and 2022, after which time the amount will not increase by more than the percentage change in the Canadian Consumer Price Index (as calculated by Statistics Canada) in the calendar year prior thereafter. The Fund increased the reimbursement

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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to BPI by a nominal amount in 2023, which is based on a 6.8% increase in the Canadian Consumer Price Index in 2022. The Fund further increased the reimbursement to BPI by a nominal amount in 2024, which is based on a 3.9% increase in the Canadian Consumer Price Index in 2023.

Other related party transactions and balances are referred to elsewhere in this MD&A.

**DISCLOSURE CONTROLS AND PROCEDURES**  
**AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The President (“**President**”) and the Chief Financial Officer (“**CFO**”) of Royalties GP, managing general partner of Royalties LP, administrator of the Fund, have designed or caused to be designed under their supervision disclosure controls and procedures, as defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, to provide reasonable assurance that: (a) material information regarding the Fund is accumulated and communicated to the Fund’s administrator, Royalties LP, as well as the President and CFO in a timely manner, particularly during the period in which the annual and interim filings are being prepared; and (b) information required to be disclosed by the Fund in its annual filings, interim filings or other reports filed and submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods specified in securities legislation. In addition, the President and the CFO have designed or caused to be designed under their supervision internal controls over financial reporting, as defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the Period, there was no change in the Fund’s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Fund’s internal control over financial reporting. The Fund complies with the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework: 2013.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Fund’s condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the use of management judgment and estimates relate to the determination of the following:

*Judgment – Consolidation*

Applying the criteria outlined in IFRS 10, judgment is required in determining whether the Fund controls Royalties LP. Making this judgment involves taking into consideration the concepts of power over Royalties LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of Royalties LP so as to generate economic returns. Using these criteria, management has determined that the Fund ultimately controls Royalties LP through its 80% ownership of the managing general partner, Royalties GP.

*Estimates - Intangible Assets – the BP Rights*

The Fund carries the BP Rights at historical cost comprising the amount of consideration paid for the BP Rights in 2002, as well as the value of additional Boston Pizza Restaurants added to the Royalty Pool to date. The value of additional Boston Pizza Restaurants added to the Royalty Pool is determined on a formula basis that is designed to estimate the present value of the cash flows that would ultimately be payable to the Fund as a result of the new Boston Pizza Restaurants being added to the Royalty Pool. The calculation is dependent on a number of different variables including the estimated sales of the new Boston Pizza Restaurants for the calendar year in which they are added to the Royalty Pool and the tax rate. The value assigned to the new Boston Pizza Restaurants, and as a result, the value assigned to the BP Rights, could differ from actual results.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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The Fund considers both external and internal sources of information in assessing whether there are any indicators that the BP Rights are impaired. External sources of information the Fund considers include changes in the market, including the Fund's market capitalization relative to its net asset carrying amount, and the economic and legal environment in which the Fund operates, which are not within its control and are expected to affect the recoverable amount of the asset. Internal sources of information the Fund considers include the expected annual Franchise Sales of the Boston Pizza Restaurants discounted by the yield of Units. There were no indicators of impairment at March 31, 2024.

Estimate – Class B Units, Class 1 LP Units and Class 2 LP Units Fair Value Adjustments

The Fund must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. The Fund's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

The fair values of the Class B Unit liability, Class 1 LP Units and Class 2 LP Units are all determined using Level 2 inputs and are measured on a recurring basis.

(i) Class B Units

The Fund records its Class B Unit liabilities at fair value, which may result in changes to the fair value adjustment on the Class B Unit liability line on the statements of financial position, the fair value gain (loss) on the Class B Unit liability line on the statements of comprehensive income (loss), and the corresponding non-cash adjustment line on the statements of cash flows. This requires that the Fund use a valuation technique to determine the value of the Class B Unit liability at each reporting date. The Fund estimates the fair value of the Class B Unit liability using a market approach by multiplying the number of Units BPI would be entitled to receive if it exchanged all Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of the Units on the last business day of the Period. This valuation technique may not represent the actual value of the financial liability should such Class B Units be extinguished. Changes in the distribution rate on the Class B Units and the yield of the Fund's Units could materially impact the Fund's financial position and net income.

(ii) Class 1 Units and Class 2 LP Units

The Fund records the Class 1 LP Units and Class 2 LP Units held by Holdings LP at fair value, which may result in a fair value adjustment on the investment in BP Canada LP financial asset line on the statements of financial position, and fair value gain (loss) line on the statements of comprehensive income (loss), and a corresponding non-cash adjustment line on the statements of cash flows.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost payable on Facility D. The Fund estimates the fair value of the Class 1 LP Units using a market-corroborated input, being the interest rate applicable on Facility D. Consequently, the Fund estimated the fair value of Class 1 LP Units at carrying value adjusted for interest rate risk.

The fair value of the Class 2 LP Units is determined using a market approach, which involves using observable market prices for similar instruments. The Class 2 LP Units have similar cash distribution entitlements to the Class 2 GP Units, which are exchangeable into Units. Consequently, the Fund estimates the fair value of the Class 2 LP Units by multiplying the issued and outstanding number of Class 2 LP Units indirectly held by the

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Fund at the end of the applicable period by the closing price of the Units at the end of that period (or previous business day, if such day is not a business day).

These valuation techniques may not represent the actual value of the Class 1 LP Units and Class 2 LP Units should such units be sold. Changes in the distribution rates on the Class 1 LP Units and Class 2 LP Units and the yield of the Fund's Units could materially impact the Fund's financial position and net income.

**CHANGES IN ACCOUNTING POLICIES**

*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On January 23, 2020, the International Accounting Standards Board ("IASB") issued Presentation of Financial Statements (Amendments to IAS 1) and on October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments clarify the classification of liabilities as current or non-current and improve the information a company provides about long-term debt with covenants. For the purposes of non-current classification, the amendments:

- (i) Remove the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance.
- (ii) Clarify that covenants with which a company must comply after the reporting date do not affect the liability's classification at the reporting date.
- (iii) Clarify the classification of liabilities that will be settled by the issue of equity instruments.

The Fund performed an analysis to assess the impact of these amendments and determined that the amendments require the re-classification of a portion the Class B unit liability from non-current liabilities to current liabilities. The portion that is reclassified to current liabilities represents the liability associated with the Class B units that the Fund would settle if BPI exchanged the Class B Units that it is permitted to exchange into units of the Fund at each period end. The Fund adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024 with retrospective application of the policy to January 1, 2023. This resulted in the reclassification of \$9.2 million in Class B unit liability to current liabilities at both December 31, 2023 and January 1, 2024 and the re-classification of \$8.8 million in Class B unit liability to current liabilities at January 1, 2023. No other adjustments or re-classifications were made.

**SHORT-TERM OUTLOOK**

The information contained in this "Short-Term Outlook" section is forward-looking information. Please see the "Note Regarding Forward-Looking Information" and "Risks & Uncertainties" sections of this MD&A for a discussion of the risks and uncertainties in connection with forward-looking information.

The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque. BPI's and BP Canada LP's strategies to drive higher guest traffic include attracting a wide variety of guests into the restaurant, sports bar and take-out and delivery parts of each location, offering a compelling value proposition to guests and leveraging a larger marketing budget versus the previous year along with a revised calendar of national and local store promotions. Increased average cheque levels are expected to be achieved through a combination of menu mix changes and increases to menu prices.

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, are dependent upon many economic factors, including impacts of inflation, increases in interest rates, rising input costs, unemployment rates, consumer confidence, recession, supply chain disruption, labour availability and other globally disruptive events. Despite the current state of economic uncertainty, Boston Pizza Restaurants have been able to generate solid Franchise Sales and offer affordable dining options, both on and off-premise, for guests in economically uncertain times. As demonstrated during COVID-19, BPI, BP Canada LP and Boston Pizza Restaurants have the ability to adapt to changes in operating environments and economic conditions. However, with supply chain challenges, rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, together with widespread focus on sustainability and climate-related issues, BPI's management remains

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cautious. The focus of BPI's management is to adapt the business to successfully mitigate these challenges and maintain positive sales levels in 2024.

The trustees of the Fund will continue to closely monitor the Fund's available cash balances given the uncertain economic outlook and industry challenges.

**GOVERNANCE OF CLIMATE-RELATED RISK AND OPPORTUNITIES**

There is increased focus in the marketplace on climate-related risks and opportunities affecting business, as well as a belief that mandatory reporting requirements regarding climate-related risks and opportunities may be adopted in Canada in the future. In response to this, the Fund, BPI and BP Canada LP have begun preparing for such prospective requirements.

The trustees of the Fund have responsibility for oversight of climate-related risks and opportunities affecting the Fund. Effective management of such risks and opportunities will be essential for ensuring sustainability and long-term success of the Fund. However, the Fund has limited operations and its only sources of revenue are: (i) Royalty payable by BPI to Royalties LP; and (ii) Distribution Income payable by BP Canada LP to Holdings LP. Accordingly, the Fund is reliant upon BPI and BP Canada LP effectively managing climate-related risks and opportunities affecting BPI, BP Canada LP and Boston Pizza Restaurants.

BPI's board of directors and senior management of BPI are responsible for oversight of climate-related risks and opportunities affecting BPI, BP Canada LP and Boston Pizza Restaurants. BPI's senior management is in the process of identifying climate-related risks and opportunities applicable to BPI, BP Canada LP and Boston Pizza Restaurants, including long, medium and short-term transitional and physical risks. Once fully identified, BPI's senior management will assess such risks and opportunities and determine appropriate tools and strategies to manage the same, all within the overall risk appetite framework set by BPI's board of directors and senior management. BPI's senior management will be updating and collaborating with the trustees of the Fund throughout this process.

**RISKS & UNCERTAINTIES**

For more information on risks and uncertainties related to BPI and the Fund, please refer to the Fund's and BPI's MD&As for the year-ended December 31, 2023 available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

**ADDITIONAL INFORMATION**

Additional information relating to the Fund, Royalties LP, Royalties GP, BPCHP, the Trust, Holdings LP, Holdings GP, BPI and BP Canada LP, including the Fund's Annual Information Form dated February 13, 2024, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and on the Fund's website at [www.bpincomefund.com](http://www.bpincomefund.com).

**NOTE REGARDING FORWARD-LOOKING INFORMATION**

Certain information in this MD&A constitutes "forward-looking information" that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of BPI, the Fund, the Trust, Royalties LP, Holdings LP, Holdings GP, Royalties GP, BPCHP, BP Canada LP, Boston Pizza Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this MD&A, forward-looking information may include words such as "estimate", "may", "will", "expect", "believe", "plan", "should" and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this MD&A.

Forward-looking information in this MD&A includes, but is not limited to, such things as:

- future distributions and dates that distributions are to be paid or payable;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;

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- how changes in distributions will be implemented;
- how distributions will be funded;
- volatility in the market price of Units;
- maintenance of franchisee relationships;
- increased average cheque levels are achieved through a combination of menu mix changes and increases to menu prices;
- the extent to which menu price increases result in increased average guest cheque being dependent upon consumer reaction to the price increases;
- the success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distribution Income and Distributable Cash available for distribution to Unitholders, being dependent upon many economic factors, including impacts of inflation, increases in interest rates, rising input costs, decreased labour availability and changes in consumer confidence;
- the expectation that effective management among the trustees of the Fund, BPI and BP Canada LP for the oversight of climate-related risks and opportunities will be essential in ensuring sustainability and long-term success of the Fund, BPI, BP Canada LP and Boston Pizza Restaurants;
- the outcome of the assessment of identifying climate-related risks and opportunities applicable to BPI, BP Canada LP and Boston Pizza Restaurants;
- the impact of mandatory reporting requirements regarding climate-related risks and opportunities being adopted in Canada;
- increased focus in the marketplace on climate-related risks and opportunities affecting business;
- BPI, BP Canada LP and Boston Pizza Restaurants having the ability to adapt to changes in operating environments and economic conditions;
- the future expansion of Boston Pizza Restaurants;
- BPI's, BP Canada LP's and Boston Pizza Restaurants' ability to address or respond to changes in operating environments and economic conditions, including supply chain challenges (including the availability of raw materials), rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, together with sustainability and climate-related issues;
- BPI's management remaining cautious;
- the focus of BPI's management being to adapt the business to successfully mitigate challenges and maintain positive sales levels in 2024;
- the trustees of the Fund will continue to closely monitor the Fund's available cash balances given the uncertain economic outlook and industry challenges;
- BPI and BP Canada LP's ability to implement strategies driving higher guest traffic and increased average cheque levels;
- the ability to leverage a larger marketing budget along with a revised calendar of national and local store promotions;
- the Fund's expectation that future distributions will continue to be funded entirely by cash flows from operations;
- the Fund's current sources of liquidity being sufficient to cover its currently known short and long-term obligations;
- impact of seasonality and competition on Franchise Sales and Payout Ratio;
- the Fund continuing to qualify as a mutual fund trust for the purposes of the *Income Tax Act* (Canada);
- the NCIB and the ASPP, the number of Units repurchased thereunder, and the cancellation of such Units;
- the potential amendments to the Credit Facilities and the rates therein not resulting in a material increase in the Fund's cost of borrowing under the Credit Facilities; and
- estimated effective tax rate.

The forward-looking information disclosed herein is based on a number of assumptions including, among other things:

- the Fund maintaining the same distribution policy;
- absence of amendments to material contracts;
- no strategic changes of direction occurring;
- absence of changes in law;
- protection of BP Rights;

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**For the Period ended March 31, 2024**

- pace of commercial real estate development;
- franchisees' access to financing;
- franchisees duly paying franchise fees and other amounts;
- no closures of Boston Pizza Restaurants that materially affect the amount of Royalty or Distribution Income paid by BPI and BP Canada LP, respectively, to the Fund;
- future results being similar to historical results;
- expectations related to future general economic conditions;
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and higher average guest cheques;
- Boston Pizza Restaurants maintaining operational excellence;
- Boston Pizza's ability to remain relevant to guests;
- culinary innovation and menu re-pricing;
- continuing operations of key suppliers;
- availability of experienced management and hourly employees;
- the absence of significant supply chain interruptions;
- ability to respond to, address or mitigate rising interest rates, increasing input costs, labour shortages and sustainability or climate-related issues including extreme weather events;
- ability to obtain qualified franchisees;
- ability to open sufficient New Restaurants to replace Franchise Sales of Closed Restaurants;
- ability to comply with disclosure obligations under franchise laws and regulations;
- ability to comply with various federal, provincial and local government laws and regulations;
- ability to obtain adequate insurance coverage;
- ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP;
- ability to adapt to changes in operating environments and economic condition;
- the Fund having sufficient cash on hand to fund repurchases under the NCIB; and
- no additional increases in SIFT Tax and sales tax rates.

This forward-looking information involves a number of risks, uncertainties and future expectations including, but not limited to:

- competition;
- consumer spending habits;
- consumer confidence in the retail sector;
- household debt;
- weather;
- climate change;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of BPI and the Fund;
- inflation;
- changes in interest rates;
- increase in food, labour or benefits costs;
- Boston Pizza Restaurant closures and openings;
- successful challenge of the BP Rights;
- inadequacy of insurance coverage;
- increases in the rate of SIFT Tax and sales tax;
- litigation against franchisees;
- inability to attract and retain key personnel;

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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- data security breaches and technological failures;
- global disruptions including geopolitical events, war or hostilities, terrorist or military activities, or natural disasters; and
- pandemics and national health crises.

The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in this MD&A.

This MD&A discusses some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking information. Forward-looking information is provided as of the date hereof and, except as required by law, the Fund assumes no obligation to update or revise forward-looking information to reflect new events or circumstances.

Condensed Consolidated Interim Financial Statements of

**BOSTON PIZZA ROYALTIES INCOME FUND**

Three months ended March 31, 2024 and 2023  
(Unaudited)

**BOSTON PIZZA ROYALTIES INCOME FUND**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

	March 31, 2024	December 31, 2023 (Restated, note 2(b))	January 1, 2023 (Restated, note 2(b))
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 4,743	\$ 4,589	\$ 5,213
Royalty receivable from Boston Pizza International Inc.	3,274	3,361	3,330
Distributions receivable from Boston Pizza Canada Limited Partnership	1,025	1,051	1,042
Prepaid expenses	161	131	121
Current income tax receivable	75	-	-
Interest rate swaps (notes 5 and 7(iii))	1,543	1,406	1,592
	<u>10,821</u>	<u>10,538</u>	<u>11,298</u>
Interest rate swaps (notes 5 and 7(iii))	1,429	1,378	2,628
Investment in units of Boston Pizza Canada Limited Partnership (note 3)	119,079	116,951	115,587
Intangible assets – BP Rights (note 4)	284,188	284,188	284,188
<b>Total assets</b>	<u>\$ 415,517</u>	<u>\$ 413,055</u>	<u>\$ 413,701</u>
<b>Liabilities and Unitholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$ 466	\$ 411	\$ 544
Distributions payable to Fund unitholders	-	2,277	2,195
Interest payable on Class B Units	-	323	303
Current income tax payable	-	22	34
Class B unit liability (notes 2(b) and 6)	9,466	9,231	8,808
	<u>9,932</u>	<u>12,264</u>	<u>11,884</u>
Credit Facilities (note 5)	86,510	86,496	86,440
Deferred income taxes	7,784	7,375	6,950
Class B unit liability (notes 2(b) and 6)	28,747	28,034	27,849
<b>Total liabilities</b>	<u>132,973</u>	<u>134,169</u>	<u>133,123</u>
<b>Unitholders' equity</b>			
Fund units (note 8)	321,044	321,044	325,048
Accumulated deficit (note 9)	(38,500)	(42,158)	(44,470)
	<u>282,544</u>	<u>278,886</u>	<u>280,578</u>
<b>Total liabilities and unitholders' equity</b>	<u>\$ 415,517</u>	<u>\$ 413,055</u>	<u>\$ 413,701</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BOSTON PIZZA ROYALTIES INCOME FUND**  
**Condensed Consolidated Interim Statements of Comprehensive Income**  
**For the three months ended March 31, 2024 and 2023**  
(Expressed in thousands of Canadian dollars, except per Fund unit data)  
(Unaudited)

	2024	2023
<b>Revenue</b>		
Royalty income ( <i>note 10</i> )	\$ 8,881	\$ 8,968
Distribution income ( <i>notes 3 and 10</i> )	2,919	2,949
Total revenue	11,800	11,917
Administration charge from Boston Pizza International Inc.	111	107
Professional fees	127	85
Other administrative expenses	127	126
Trustee fees and expenses	71	73
Total administrative expenses	436	391
<b>Earnings before interest and fair value (gain) loss on financial instruments</b>	11,364	11,526
Interest expense on debt and financing fees	828	850
Interest expense on Class B unit liability	729	632
Interest income	(66)	(68)
Net interest expense	1,491	1,414
<b>Profit before fair value (gain) loss and income taxes</b>	9,873	10,112
Fair value (gain) loss on investment in Boston Pizza Canada Limited Partnership ( <i>notes 3 and 7</i> )	(2,128)	218
Fair value loss (gain) on Class B unit liability ( <i>notes 6 and 7</i> )	948	(97)
Fair value (gain) loss on interest rate swaps ( <i>note 7</i> )	(188)	892
Total fair value (gain) loss	(1,368)	1,013
<b>Earnings before income taxes</b>	11,241	9,099
Current income tax expense	2,365	2,390
Deferred income tax expense	409	40
Total tax expense	2,774	2,430
<b>Net and comprehensive income for the period</b>	\$ 8,467	\$ 6,669
<b>Net earnings per Fund unit</b>		
Basic	\$ 0.40	\$ 0.31
Diluted	\$ 0.37	\$ 0.24
Weighted average Fund units outstanding	21,278,563	21,521,463
Weighted average fully diluted Fund units outstanding	24,540,740	24,783,640

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BOSTON PIZZA ROYALTIES INCOME FUND**  
**Condensed Consolidated Interim Statements of Changes in Unitholders' Equity**  
**For the three months ended March 31, 2024 and 2023**  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

	Fund units	Accumulated deficit	Total unitholders' equity
<b>Balance – December 31, 2023</b>	\$ 321,044	\$ (42,158)	\$ 278,886
Net and comprehensive income for the period	-	8,467	8,467
Distributions declared ( <i>note 8(b)</i> )	-	(4,809)	(4,809)
<b>Balance – March 31, 2024</b>	\$ 321,044	\$ (38,500)	\$ 282,544
<b>Balance – December 31, 2022</b>	\$ 325,048	\$ (44,470)	\$ 280,578
Net and comprehensive income for the period	-	6,669	6,669
Distributions declared ( <i>note 8(b)</i> )	-	(4,390)	(4,390)
<b>Balance – March 31, 2023</b>	\$ 325,048	\$ (42,191)	\$ 282,857

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BOSTON PIZZA ROYALTIES INCOME FUND**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the three months ended March 31, 2024 and 2023**  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

	2024	2023
<b>Operating activities</b>		
Net and comprehensive income for the period	\$ 8,467	\$ 6,669
Adjustments for:		
Fair value (gain) loss on investment in Boston Pizza Canada Limited Partnership	(2,128)	218
Fair value loss (gain) on Class B unit liability	948	(97)
Fair value (gain) loss on interest rate swaps	(188)	892
Deferred income tax expense	409	40
Current income tax expense	2,365	2,390
Interest expense on debt and financing fees	828	850
Interest expense on Class B unit liability	729	632
Interest income	(66)	(68)
Changes in non-cash working capital	132	(63)
Current income tax paid	(2,462)	(2,311)
Interest received	66	68
<b>Net cash generated from operating activities</b>	<b>9,100</b>	<b>9,220</b>
<b>Financing activities</b>		
Distributions paid to Fund unitholders	(7,086)	(6,585)
Interest paid on Class B unit liability	(1,052)	(935)
Interest paid on long-term debt	(808)	(914)
<b>Net cash used in financing activities</b>	<b>(8,946)</b>	<b>(8,434)</b>
<b>Increase in cash and cash equivalents</b>	<b>154</b>	<b>786</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>4,589</b>	<b>5,213</b>
<b>Cash and cash equivalents – end of period</b>	<b>\$ 4,743</b>	<b>\$ 5,999</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BOSTON PIZZA ROYALTIES INCOME FUND**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2024 and 2023**

(Tabular amounts in thousands of Canadian dollars, except unit data)  
(Unaudited)

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**1. Organization and nature of operations**

These condensed consolidated interim financial statements include the accounts of Boston Pizza Royalties Income Fund, its wholly-owned subsidiaries Boston Pizza Holdings Trust (the “**Trust**”), Boston Pizza Holdings GP Inc. and Boston Pizza Holdings Limited Partnership (“**Holdings LP**”), its 80%-owned subsidiary Boston Pizza GP Inc. (“**BPGP**”) and its interest in Boston Pizza Royalties Limited Partnership (“**Royalties LP**”), (collectively the “**Fund**”). BPGP is the managing general partner of Royalties LP. The 20% residual ownership of BPGP is owned by Boston Pizza International Inc. (Boston Pizza International Inc. together with Boston Pizza Canada Limited Partnership (“**BP Canada LP**”) and its wholly-owned subsidiaries, “**BPI**”) directly or indirectly. BPI is a general partner of Royalties LP.

The Fund was established to indirectly, through Royalties LP, acquire the trademarks and trade names owned by BPI including “Boston Pizza” and other similar related items, logos and designs (collectively, the “**BP Rights**”) used in connection with the operation of Boston Pizza restaurants in Canada (“**Boston Pizza Restaurants**”). The BP Rights do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the *Trademarks Act* (Canada).

**2. Basis of presentation and material accounting policies**

(a) These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“**IASB**”). These statements represent a “condensed set of financial statements” and accordingly do not include all of the information required for annual financial statements. Certain disclosures included in the Annual Financial Statements prepared in accordance with IFRS Accounting Standards (“**IFRS**”) as issued by the IASB have been condensed or omitted. Accordingly, these statements should be read in conjunction with the Fund’s most recent annual financial statements as at and for the year ended December 31, 2023.

(b) The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2023, except as noted below:

*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On January 23, 2020, the IASB issued Presentation of Financial Statements (Amendments to IAS 1) and on October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments clarify the classification of liabilities as current or non-current and improve the information a company provides about long-term debt with covenants. For the purposes of non-current classification, the amendments:

- (i) Remove the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance.

**BOSTON PIZZA ROYALTIES INCOME FUND**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**2. Basis of presentation and material accounting policies (continued)**

- (ii) Clarify that covenants with which a company must comply after the reporting date do not affect the liability's classification at the reporting date.
- (iii) Clarify the classification of liabilities that will be settled by the issue of equity instruments.

The Fund performed an analysis to assess the impact of these amendments and determined that the amendments require the re-classification of a portion the Class B unit liability from non-current liabilities to current liabilities. The portion that is reclassified to current liabilities represents the liability associated with the Class B units that the Fund would settle if BPI exchanged the Class B Units that it is permitted to exchange into units of the Fund at each period end (see *note 6*).

The Fund adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024 with retrospective application of the policy to January 1, 2023. This resulted in the reclassification of \$9.2 million in Class B unit liability to current liabilities at both December 31, 2023 and January 1, 2024 and the re-classification of \$8.8 million in Class B unit liability to current liabilities at January 1, 2023. No other adjustments or re-classifications were made.

These condensed consolidated interim financial statements were approved by the Trustees of the Fund on May 9, 2024.

**3. Investment in Units of Boston Pizza Canada Limited Partnership**

*Limited partnership units*

The investment in BP Canada LP is comprised of Class 1 limited partnership units ("**Class 1 LP Units**") and Class 2 limited partnership units ("**Class 2 LP Units**"). The Class 1 LP and Class 2 LP Units are held indirectly by the Fund and entitle the Fund to a cash distribution equal to 1.5% of franchise sales of Boston Pizza Restaurants in the Fund's royalty pool (the "**Royalty Pool**"), less the pro rata portion payable to BPI in respect of its retained interest in the Fund.

(in thousands, except per unit data)	Issued and outstanding LP Units		Investment in BP Canada LP
<b>Class 1 LP Units</b>			
Class 1 LP Units at December 31, 2023 and March 31, 2024	1,000	\$	33,314
<b>Class 2 LP Units</b>			
Class 2 LP Units	5,455,762	\$	114,113
Fair value loss on Class 2 LP Units - cumulative			(30,476)
Class 2 LP Units Balance at December 31, 2023	5,455,762	\$	83,637
Fair value gain on Class 2 LP Units ( <i>note 7 (ii)</i> )			2,128
Class 2 LP Units Balance at March 31, 2024	5,455,762		85,765
<b>Total LP Units Balance at March 31, 2024</b>		<b>\$</b>	<b>119,079</b>

**BOSTON PIZZA ROYALTIES INCOME FUND**  
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**3. Investment in Units of Boston Pizza Canada Limited Partnership (continued)**

*General partnership units*

BPI receives its proportionate share of the 1.5% of franchise sales of Boston Pizza Restaurants in the Royalty Pool through distributions on Class 2 general partnership units (“**Class 2 GP Units**”) of BP Canada LP that are exchangeable for Fund units. BPI continues to pay the Fund the balance of the Fund’s interest in franchise sales of Royalty Pool restaurants (“**Franchise Sales Participation**”) in the form of royalty fees.

BPI also has the right to further increase the Fund’s Franchise Sales Participation by up to an additional 1.5% of franchise sales of Royalty Pool restaurants (in 0.5% increments) upon meeting certain financial thresholds designed to ensure that the additional Franchise Sales Participation is accretive to the Fund and that BPI retains the financial capacity to satisfy its obligations to the Fund. BPI has the right to receive Fund units when it exercises its rights to exchange its Class 2 GP Units into Fund units.

	Issued and outstanding Class 2 GP additional entitlements	Issued and outstanding Class 2 GP additional entitlements including Class 2 GP holdback
Balance at December 31, 2023	831,354	831,354
Class 2 GP additional entitlements granted on January 1, 2024 <sup>(1)</sup>	-	-
<b>Balance at March 31, 2024</b>	<b>831,354</b>	<b>831,354</b>

<sup>(1)</sup> On January 1, 2024, the one new Boston Pizza Restaurants that opened across Canada between January 1, 2023 and December 31, 2023 was added to the Royalty Pool and the six restaurants that permanently closed during 2023 were removed. The estimated net Franchise Sales from the one new Boston Pizza Restaurants less the six Boston Pizza Restaurants that permanently closed is negative \$7.5 million. This resulted in negative estimated royalty and distribution income to the Fund of \$0.4 million (the “**Deficiency**”). As a result of the Deficiency, BPI did not receive any Class 2 GP additional entitlements on January 1, 2024. However, BPI did not lose any of the additional entitlements it received in the previous years. Instead, BPI will be required to make-up the cumulative Deficiency for 2020 through 2023 (total of \$2.0 million) on future adjustment dates by first adding royalty and distribution income in an amount equal to the Deficiency before receiving any further Class 2 GP additional entitlements.

**BOSTON PIZZA ROYALTIES INCOME FUND**  
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**4. Intangible assets – BP Rights**

Royalties LP and BPI entered into the License and Royalty Agreement to allow BPI the use of the BP Rights for a term of 99 years beginning in July 2002, for which BPI pays the royalty. Since the trademarks may remain in force indefinitely, the BP Rights have an indefinite life, are recognized at cost and are not amortized but are tested for indicators of impairment at each reporting date and tested for impairment annually on December 31. On March 31, 2024, it was determined that there were no indicators of impairment.

Balance – December 31, 2023	\$	284,188
Class B additional entitlements <sup>(1)</sup>		-
<b>Balance – March 31, 2024</b>	<b>\$</b>	<b>284,188</b>

<sup>(1)</sup> No Class B additional entitlements were issued to BPI since a Deficiency existed in respect of the January 1, 2024 adjustment date (see *note 6*).

**5. Credit facilities**

The following table summarizes the Fund's long-term debt and its fixed and variable rate swap terms as of March 31, 2024 under Facility B and Facility D (both defined below).

	March 31, 2024	December 31, 2023
<b>Credit facility managed by interest rate swaps:</b>		
Facility B bearing interest at 2.27% plus between 1.25% and 1.85% per annum, with a swap maturity date of April 1, 2024 ( <i>note 12</i> )	\$ 15,000	\$ 15,000
Facility D bearing interest at 1.02% plus between 1.25% and 1.85% per annum, with a swap maturity date of August 14, 2025	17,000	17,000
Facility D bearing interest at 1.09% plus between 1.25% and 1.85% per annum, with a swap maturity date of March 1, 2026	15,000	15,000
Facility B bearing interest at 2.28% plus between 1.25% and 1.85% per annum, with a swap maturity date of February 1, 2027	15,000	15,000
Facility B bearing interest at 3.48% plus between 1.25% and 1.85% per annum, with a swap maturity date of January 4, 2028	15,000	15,000
<b>Credit facility at variable interest rates:</b>		
Facility B bearing interest at short-term Canadian dollar offered loan rates (5.32% plus 1.40% per annum at March 31, 2024 and 5.40% plus 1.40% per annum at December 31, 2023)	8,323	8,323
Facility D bearing interest at short-term Canadian dollar offered loan rates (5.31% plus 1.40% per annum at March 31, 2024 and 5.40% plus 1.40% per annum at December 31, 2023)	1,314	1,314
<b>Deferred financing fees</b>	<b>(127)</b>	<b>(141)</b>
	<b>\$ 86,510</b>	<b>\$ 86,496</b>

**BOSTON PIZZA ROYALTIES INCOME FUND**  
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**5. Credit facilities (continued)**

- (a) Holdings LP and Royalties LP have credit facilities with a Canadian chartered bank (the “**Bank**”) in the amount of up to \$88.6 million expiring on July 1, 2026 (the “**Credit Facilities**”). The Credit Facilities are comprised of:
- (i) a \$2.0 million committed operating facility issued to Royalties LP (“**Facility A**”);
  - (ii) a \$53.3 million committed non-revolving credit facility issued to Royalties LP for the purpose of refinancing Royalties LP’s previous credit facilities, to facilitate the Fund repurchasing and canceling Fund units under normal course issuer bids or substantial issuer bids, to finance the cash component of any exchange of general partner units of BP Canada LP and to repay reimbursement charges owing by Royalties LP to BPI for performing administrative services to the Fund (“**Facility B**”);
  - (iii) a \$33.3 million committed non-revolving credit facility issued to Holdings LP for the purpose of subscribing for Class 1 LP Units (“**Facility D**”).

The Credit Facilities bear interest at variable interest rates comprised of either or a combination of the Bank’s bankers’ acceptance rates or Canadian dollar offered rates (“**CDOR**”) plus between 1.25% and 1.85%, or the Bank’s prime rate plus between 0.00% and 0.65%, depending upon the Fund’s total funded net debt to EBITDA ratio. The principal amounts drawn on Facility A, Facility B and Facility D are due and payable upon expiry.

The Credit Facilities are secured by a first charge on the assets of Holdings LP and Royalties LP. The Credit Facilities are guaranteed by the Fund, the Trust, Boston Pizza Holdings GP Inc., Holdings LP, Royalties LP and BPGP, each of whom have granted security over all its assets in favour of the Bank in support of such guarantees. Neither BPI nor any of its subsidiaries has guaranteed or provided any security in respect of the Credit Facilities.

As of March 31, 2024, no amount was drawn on Facility A, \$53.3 million was drawn on Facility B and \$33.3 million was drawn on Facility D. Royalties LP and Holdings LP were in compliance with all of their financial covenants and financial condition tests as of March 31, 2024.

- (b) A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“**IBOR**”) with alternative rates. On December 16, 2021, the Canadian Alternative Reference Rate working group (“**CARR**”) recommended that the administrator, Refinitiv Benchmark Services UK Limited (“**RBSL**”), cease publication of CDOR settings immediately after June 28, 2024. On May 16, 2022, following public consultation, RBSL announced that all remaining CDOR settings will cease publication immediately after June 28, 2024, in line with CARR recommendations. As at March 31, 2024, the Fund’s IBOR exposure is indexed to CDOR. The alternative rate for CDOR is the Canadian Overnight Repo Rate Average (“**CORRA**”). The Fund is in discussions with the Bank regarding amending the Credit Facilities prior to June 28, 2024 to replace the current rates that are based upon CDOR with corresponding rates that are based upon CORRA. While the precise rates that will be based on CORRA have not yet been agreed upon by the Fund and the Bank, the Fund does not expect these amendments to result in a material increase in the Fund’s cost of borrowing under the Credit Facilities.

**BOSTON PIZZA ROYALTIES INCOME FUND**  
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(Tabular amounts in thousands of Canadian dollars, except unit data)  
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**6. Royalties LP unit liabilities**

Royalties LP unit liabilities relate to the Class B general partner units of Royalties LP (“**Class B Units**”) held by BPI and Class B additional entitlements which provide BPI the right to acquire additional units that BPI receives in return for adding net additional royalty to the Royalty Pool.

The following chart summarizes the Class B additional entitlements and Class B unit liability:

	Issued and outstanding additional entitlements	Issued and outstanding additional entitlements including holdback	Class B unit liability
Balance at December 31, 2023	2,430,823	2,430,823	\$ 37,265
Class B additional entitlements granted January 1, 2024 <sup>(1)</sup>	-	-	-
Fair value loss ( <i>note 7 (iii)</i> )	-	-	948
Balance at March 31, 2024	2,430,823	2,430,823	\$ 38,213
Current portion of Class B unit liability <sup>(2)</sup>			9,466
Non-current portion of Class B unit liability <sup>(2)</sup>			\$ 28,747

<sup>(1)</sup> As a result of the Deficiency for 2023, BPI did not receive any Class B additional entitlements on January 1, 2024. BPI will be required to make-up the cumulative Deficiency for 2020 through 2023 (total of \$2.0 million) on future adjustment dates by first adding royalty and distribution income in an amount equal to the Deficiency before receiving any further Class B additional entitlements.

<sup>(2)</sup> Under the exchange agreement that governs the exchange of the Class 2 GP Units into Fund units, BPI is not permitted to take any active steps to reduce its interest in the Fund to below 10%. In order to meet this requirement, BPI must hold at least that number of Class B Units and Class 2 GP Units that represent not less than a 10% retained interest in the Fund (measured on the basis of its rights to receive distributions on the Class B Units and Class 2 GP Units). The Fund has split the Class B Units liability to classify as current that portion of the liability that the Fund would settle if BPI exchanged the Class B Units that it is permitted to exchange at period end while maintaining a minimum 10% retained interest in the Fund.

**7. Financial instruments**

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in profit and loss or other comprehensive income in the consolidated statement of comprehensive income. Those categories are: amortized cost, fair value through profit or loss and fair value through comprehensive income.

Estimated fair values for financial instruments are designed to approximate amounts for which the instruments could be exchanged in a current arm’s-length transaction between knowledgeable, willing parties. During the period ended March 31, 2024, there were no transfers between Level 1 and Level 2 for financial instruments measured at fair value through profit and loss.

**BOSTON PIZZA ROYALTIES INCOME FUND**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2024 and 2023**

(Tabular amounts in thousands of Canadian dollars, except unit data)  
(Unaudited)

**7. Financial instruments (continued)**

The following table shows the carrying values of assets and liabilities for each of these categories at March 31, 2024 and December 31, 2023. Unless otherwise noted, the fair values on the instruments approximate their carrying amount.

			March 31, 2024	December 31, 2023
<b>Fair value through profit and loss</b>				
Class 1 LP Units of BP Canada LP <sup>(i)</sup>	Level 2	\$	33,314	\$ 33,314
Class 2 LP Units of BP Canada LP <sup>(ii)</sup>	Level 2	\$	85,765	\$ 83,637
Interest rate swaps <sup>(iii)</sup>	Level 2	\$	2,972	\$ 2,784
Class B unit liability <sup>(iv)</sup>	Level 2	\$	(38,213)	\$ (37,265)
<b>Amortized cost</b>				
Cash and cash equivalents		\$	4,743	\$ 4,589
Royalty receivable from BPI		\$	3,274	\$ 3,361
Distributions receivable from BP Canada LP		\$	1,025	\$ 1,051
Accounts payable and accrued liabilities		\$	(466)	\$ (411)
Distributions payable to Fund unitholders		\$	-	\$ (2,277)
Interest payable on Class B Units		\$	-	\$ (323)
Credit Facilities <sup>(iii)</sup>		\$	(86,510)	\$ (86,496)

- (i) The Class 1 LP Units are entitled to distributions determined with respect to the interest cost incurred on Facility D (*note 5*). The fair value of the Class 1 LP Units is estimated using a market-corroborated input (interest rate on the credit facility).
- (ii) The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units held by BPI, which are exchangeable for Fund units. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund unit on the last business day of the period. As at March 31, 2024, the closing price of a Fund unit was \$15.72 (December 31, 2023 – \$15.33) while the number of issued and outstanding Class 2 LP Units indirectly held by the Fund was 5,455,762 (December 31, 2023 – 5,455,762) resulting in a Class 2 LP Units fair value of \$85.8 million (December 31, 2023 - \$83.6 million). The fair value gain of the investment in BP Canada LP for the three months ended March 31, 2024 was \$2.1 million (March 31, 2023 – fair value loss of \$0.2 million).
- (iii) The Credit Facilities are carried at amortized cost. Royalties LP and Holdings LP use interest rate swaps to manage risks from fluctuations in interest rates on \$77.0 million (December 31, 2023 – \$77.0 million) of this balance. The Fund recorded a net financial derivative asset based on the fair value of the interest rate swaps at March 31, 2024 of \$3.0 million (December 31, 2023 - \$2.8 million) in accordance with accounting for derivatives under IFRS. Any changes in the fair value of the interest rate swaps are recorded in the condensed consolidated interim

**BOSTON PIZZA ROYALTIES INCOME FUND**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2024 and 2023**  
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(Unaudited)

**7. Financial instruments (continued)**

statement of comprehensive income in the period in which they arise. Without factoring in the interest rate swaps, the fair value of the \$77.0 million of the Credit Facilities approximates its carrying amount since the debt has interest rates at terms that the Fund believes are reflective of currently available terms. The fair value of the remaining Credit Facilities' balance, before deferred financing fees, is \$9.6 million (December 31, 2023 – \$9.6 million) since the debt has variable interest rates at terms that the Fund believes are reflective of currently available terms. The Credit Facilities are presented net of deferred financing fees which were \$0.1 million at March 31, 2024 (December 31, 2023 – \$0.1 million).

- (iv) The Class B Units are exchangeable for Fund units and therefore, the fair value of the Class B Units is estimated to be equivalent to the number of Fund units into which the Class B Units are exchangeable. The Fund estimates the fair value of the Class B units liability by multiplying the issued and outstanding Class B additional entitlements (including Class B holdback) held by BPI at the end of the period by the closing price of the Fund units on the last business day of the period. As at March 31, 2024, the closing price of a Fund unit was \$15.72 (December 31, 2023 - \$15.33) and issued and outstanding Class B additional entitlements (including Class B holdback) totaled 2,430,823 (December 31, 2023 – 2,430,823) resulting in a valuation of the Class B unit liability fair value of \$38.2 million (December 31, 2023 – \$37.3 million). The increase of \$0.9 million is comprised of fair value loss (March 31, 2023 – fair value gain of \$0.1 million). This valuation technique may not represent the actual value of the financial liability should such Class B Units be exchanged.

**8. Fund units**

- (a) Fund units outstanding:

	Number of Fund units	Fund units as equity
Balance at January 1, 2023	21,521,463	\$ 325,048
Acquisition of Fund units	(242,900)	(4,004)
Balance at December 31, 2023 and March 31, 2024	21,278,563	\$ 321,044

As at March 31, 2024, the Class B Units held by BPI were exchangeable into 2,430,823 Fund units and the Class 2 GP Units held by BPI were exchangeable into 831,354 Fund units, for a total of 13.3% of the issued and outstanding Fund units on a fully diluted basis.

- (b) Distributions declared and paid to Fund unitholders were as follows:

	Declared		Paid	
	Three months ended March 31,		Three months ended March 31,	
	2024	2023	2024	2023
Distributions (in thousands)	\$ 4,809	\$ 4,390	\$ 7,086	\$ 6,585
Distributions per Fund unit	\$ 0.23	\$ 0.20	\$ 0.33	\$ 0.31

**BOSTON PIZZA ROYALTIES INCOME FUND**  
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**9. Accumulated deficit**

The Fund's accumulated deficit includes fair value adjustments and deferred income tax expense, which are non-cash items. Excluding the cumulative effect of fair value adjustments and deferred income tax expense, the Fund would have a surplus of \$16.9 million at March 31, 2024 (\$14.2 million at December 31, 2023).

**10. Operations**

(in thousands, except number of Restaurants in the Royalty Pool)	Three months ended March 31,	
	2024	2023
Restaurants in the Royalty Pool	372	377
Franchise sales reported by restaurants in the Royalty Pool	222,032	224,201
Royalty income – 4% of Franchise Sales	8,881	8,968
Distribution income – 1.5% of Franchise Sales (less BPI retained interest)	2,919	2,949

**11. Seasonality**

Boston Pizza Restaurants experience seasonal fluctuations in franchise sales, which are inherent in the full service restaurant industry in Canada. Seasonal factors such as tourism and better weather allow Boston Pizza Restaurants to open their patios and generally increase franchise sales in the second and third quarters compared to the first and fourth quarters.

**12. Subsequent events**

- (a) On April 1, 2024, a \$15.0 million interest rate swap on Facility B matured and the associated \$15.0 million in Facility B debt now bears interest at short-term CDOR plus the applicable margin of 1.40% per annum.
- (b) On May 9, 2024, the Trustees of the Fund declared a distribution for April 2024 of \$0.113 per unit, which will be payable on May 31, 2024 to unitholders of record on May 21, 2024.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BOSTON PIZZA INTERNATIONAL INC.**  
**For the Period ended March 31, 2024**

**FINANCIAL HIGHLIGHTS**

The tables below set out selected information from the unaudited condensed consolidated interim financial statements of Boston Pizza International Inc. ("BPI" and where applicable also includes its wholly-owned subsidiaries), and the accounts of Boston Pizza Canada Limited Partnership ("BP Canada LP"), together with other data, and should be read in conjunction with the unaudited condensed consolidated interim financial statements of BPI for the three month periods ended March 31, 2024 and March 31, 2023, and BPI's audited annual consolidated financial statements for the year-ended December 31, 2023. The financial information reported in the tables included in this Management's Discussion and Analysis ("MD&A") are reported in accordance with IFRS Accounting Standards ("IFRS") except as otherwise noted and are stated in Canadian dollars. Capitalized terms used in the tables and notes below are defined elsewhere in this MD&A.

<i>For the periods ended March 31</i>	Q1 2024	Q1 2023
<i>(in thousands of dollars - except number of restaurants, SRS and per share items)</i>		
System-Wide Gross Sales <sup>1</sup>	279,000	282,750
Number of Boston Pizza Restaurants <sup>2</sup>	370	376
Franchise Sales reported by Boston Pizza Restaurants <sup>3</sup>	222,101	224,201
Same Restaurant Sales <sup>4</sup>	(1.0%)	25.7%
<u>Income Statement Data</u>		
Total revenues	27,745	29,487
Royalty expense	(8,881)	(8,968)
Distribution expense	(2,919)	(2,949)
Operating expenses excluding Royalty and Distribution expense	(13,811)	(15,435)
Earnings before interest and fair value (loss) gain	2,134	2,135
Net interest income	651	367
Fair value (loss) gain	(1,180)	121
Earnings before income taxes	1,605	2,623
Current and deferred income tax expense	(942)	(826)
Net and comprehensive income	663	1,797
Basic and diluted income per share	6.76	18.32
<u>Balance Sheet Data</u>		
	Mar 31, 2024	Dec 31, 2023
Total assets	146,707	151,246
Total liabilities	385,526	390,728

**Notes – Non-GAAP, Specified Financial Measures and Other Information**

- 1 "System-Wide Gross Sales" is a supplementary financial measure under National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* ("NI 52-112") and therefore may not be comparable to similar measures presented by other issuers. System-Wide Gross Sales means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), including revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts, but excluding applicable sales and similar taxes. BPI believes that System-

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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Wide Gross Sales provides useful information to investors regarding the overall performance of the Boston Pizza System.

- 2 Number of Boston Pizza Restaurants is reported as at the end of the applicable period.
- 3 **"Franchise Sales"** when disclosed on a monthly basis herein, is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. Franchise Sales means the gross revenue: (i) of the corporate Boston Pizza Restaurants in Canada owned by BPI; and (ii) reported to BP Canada LP by franchised Boston Pizza Restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and revenue from BP Canada LP approved national promotions and discounts, and excluding applicable sales and similar taxes. Nevertheless, BP Canada LP periodically conducts audits of the Franchise Sales reported to it by its franchisees, and the Franchise Sales reported herein include results from sales audits of earlier periods. Franchise Sales is the basis upon which franchisees of BP Canada LP pay royalty and contributions into the Advertising Fund to BP Canada LP. BPI believes that Franchise Sales provides useful information to investors regarding the performance of the Boston Pizza System with respect to sales upon which BP Canada LP earns royalty and contributions into the Advertising Fund.
- 4 **"Same Restaurant Sales"** or **"SRS"** is a supplementary financial measure under NI 52-112 and therefore may not be comparable to similar measures presented by other issuers. BPI defines SRS as the change in Franchise Sales of Boston Pizza Restaurants as compared to the Franchise Sales for the same period in the previous year (where restaurants were open for a minimum of 24 months). BPI believes that SRS provides investors meaningful information regarding the performance of Boston Pizza Restaurants.

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**SUMMARY OF QUARTERLY RESULTS**

	Q1 2024	Q4 2023	Q3 2023	Q2 2023
(in thousands of dollars - except number of restaurants, SRS and per share items)				
System-Wide Gross Sales	279,000	287,400	301,739	293,739
Number of Boston Pizza Restaurants	370	372	375	375
Franchise Sales reported by Boston Pizza Restaurants	222,101	227,739	240,139	233,650
Same Restaurant Sales	(1.0%)	0.6%	5.3%	6.6%
<u>Income Statement Data</u>				
Total revenues	27,745	31,381	32,262	31,597
Royalty expense	(8,881)	(9,106)	(9,606)	(9,346)
Distribution expense	(2,919)	(2,992)	(3,155)	(3,071)
Operating expenses excluding Royalty and Distribution expense	(13,811)	(17,475)	(16,139)	(15,986)
Earnings before interest and fair value (loss) gain	2,134	1,808	3,362	3,194
Net interest income	651	1,344	858	761
Fair value (loss) gain	(1,180)	(514)	4,356	(4,719)
Earnings (loss) before income taxes	1,605	2,638	8,576	(764)
Current and deferred income tax expense	(942)	(866)	(1,074)	(1,210)
Net and comprehensive income (loss)	663	1,772	7,502	(1,974)
Basic and diluted income (loss) per share	6.76	18.07	76.48	(20.12)

	Q1 2023	Q4 2022	Q3 2022	Q2 2022
(in thousands of dollars - except number of restaurants, SRS and per share items)				
System-Wide Gross Sales	282,750	285,435	287,813	278,067
Number of Boston Pizza Restaurants	376	377	380	381
Franchise Sales reported by Boston Pizza Restaurants	224,201	227,163	229,848	219,384
Same Restaurant Sales	25.7%	24.5%	8.4%	64.9%
<u>Income Statement Data</u>				
Total revenues	29,487	31,643	31,091	29,468
Royalty expense	(8,968)	(9,087)	(9,194)	(8,775)
Distribution expense	(2,949)	(2,988)	(3,027)	(2,895)
Operating expenses excluding Royalty and Distribution expense	(15,435)	(16,559)	(13,986)	(15,623)
Earnings before interest and fair value gain (loss)	2,135	3,009	4,884	2,175
Net interest income	367	1,251	513	220
Fair value gain (loss)	121	636	(1,211)	8,107
Earnings before income taxes	2,623	4,896	4,186	10,502
Current and deferred income tax expense	(826)	(952)	(1,534)	(14)
Net and comprehensive income	1,797	3,944	2,652	10,488
Basic and diluted income per share	18.32	40.21	27.04	106.93

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**OVERVIEW**

This MD&A covers the three-month period from January 1, 2024 to March 31, 2024 (the “**Period**”) and is dated May 9, 2024. It provides additional analysis of the operations, financial position and financial performance of BPI and should be read in conjunction with BPI’s applicable condensed consolidated interim financial statements and the accompanying notes. The condensed consolidated interim financial statements of BPI are in Canadian dollars and have been prepared in accordance with IFRS except as otherwise noted.

**General**

BPI is a privately controlled company and prior to April 6, 2015, was the exclusive franchisor of the Boston Pizza (as defined below) concept in Canada. On April 6, 2015, BP Canada LP, a British Columbia limited partnership controlled and operated by BPI, became the exclusive franchisor of the Boston Pizza concept in Canada. On May 6, 2015, Boston Pizza Royalties Income Fund (the “**Fund**”) completed an indirect investment in BP Canada LP to effectively increase the Fund’s indirect interest in Franchise Sales of Boston Pizza Restaurants (as defined below) in the Royalty Pool (as defined below) by 1.5%, from 4.0% to 5.5% less the pro rata portion payable to BPI in respect of its retained interest in the Fund (the “**2015 Transaction**”).

BPI and BP Canada LP compete in the casual dining sector of the restaurant industry and Boston Pizza is the number one casual dining brand in Canada. With hundreds of restaurants stretching from Victoria to St. John’s, Boston Pizza has more restaurants and serves more customers annually than any other casual dining restaurant chain in Canada.

Royalty

BP Canada LP charges a 7.0% royalty fee on Franchise Sales for full-service Boston Pizza restaurants open in Canada (the “**Boston Pizza Restaurants**”). BPI pays Boston Pizza Royalties Limited Partnership (“**Royalties LP**”), an entity controlled by the Fund, a 4.0% royalty fee (the “**Royalty**”) on Franchise Sales from the Boston Pizza Restaurants in the royalty pool (the “**Royalty Pool**”) for the use of the Boston Pizza trademarks in Canada (the “**BP Rights**”<sup>5</sup>). As of March 31, 2024, there were 372 Boston Pizza Restaurants in the Royalty Pool, of which approximately 370 were operating and open for business to the public.<sup>6</sup>

Increases in Franchise Sales and the resulting royalty paid by Boston Pizza Restaurants to BPI are derived from both new Boston Pizza Restaurants and SRS. The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque. Increased average cheque levels are achieved through a combination of menu mix change and increases to menu prices. However, the extent to which menu price increases result in increased average guest cheque is dependent upon consumer reaction to the price increases. Boston Pizza’s ability to increase SRS is dependent upon existing Boston Pizza Restaurants maintaining operational excellence, general market conditions, weather, menu pricing, and marketing programs undertaken by BPI and BP Canada LP. One of BPI’s and BP Canada LP’s competitive strengths in increasing Franchise Sales of existing restaurants is that the standard franchise agreement for Boston Pizza Restaurants requires that each Boston Pizza Restaurant undergoes a complete restaurant renovation every seven years and completes equipment upgrades as required by BP Canada LP. Restaurants typically close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

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5 BP Rights are the trademarks that as at July 17, 2002 were registered or the subject of pending applications for registration under the *Trademarks Act* (Canada), and other trademarks and trade names which are confusing with the registered or pending trademarks. The BP Rights purchased do not include the rights outside of Canada to any trademarks or trade names used by BPI or any affiliated entities in its business, and in particular do not include the rights outside of Canada to the trademarks registered or pending registration under the *Trademarks Act* (Canada).

6 Boston Pizza Restaurants may temporarily or permanently close for a variety of reasons. The Royalty Pool is adjusted only once a year on January 1 to add new Boston Pizza Restaurants that opened and to remove Boston Pizza Restaurants that permanently closed. Accordingly, the number of Boston Pizza Restaurants in the Royalty Pool at any time may exceed the number of Boston Pizza Restaurants that are actively operating and open for business to the public. See “Overview - Addition of New Restaurants to Royalty Pool” below for more information regarding adjustments to the Royalty Pool.

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Franchise Sales are also affected by the permanent closures of Boston Pizza Restaurants. A Boston Pizza Restaurant is closed when it ceases to be viable or when the franchise agreement applicable to that Boston Pizza Restaurant has expired or been terminated.

Distributions from BP Canada LP

Boston Pizza Holdings Limited Partnership ("**Holdings LP**"), an entity controlled by the Fund, holds Class 1 limited partnership units ("**Class 1 LP Units**") and Class 2 limited partnership units ("**Class 2 LP Units**") of BP Canada LP, and BPI holds, indirectly through Boston Pizza Canada Holdings Partnership ("**BPCHP**"), Class 2 general partnership units of BP Canada LP ("**Class 2 GP Units**"), which are exchangeable for units of the Fund ("**Fund Units**"). The Class 1 LP Units and Class 2 LP Units provide Holdings LP with the right to receive distributions from BP Canada LP equal, in aggregate, to 1.5% of Franchise Sales, less the pro rata portion payable to BPI in respect of its Class 2 GP Units (the "**Distributions**"). Specifically, the Class 1 LP Units entitle Holdings LP to receive a priority distribution equal to the amount of interest that Holdings LP pays on certain indebtedness of Holdings LP plus 0.05% of that amount, with the balance of 1.5% of Franchise Sales being distributed pro rata to Holdings LP and BPI on the Class 2 LP Units and Class 2 GP Units, respectively. After BP Canada LP pays distributions on the Class 1 LP Units, Class 2 LP Units and Class 2 GP Units, BPI is entitled to all residual distributions from BP Canada LP on the Class 3 general partnership units, Class 4 general partnership units, Class 5 general partnership units and Class 6 general partnership units of BP Canada LP that BPI holds.

**Addition of New Restaurants to Royalty Pool**

On January 1 of each year (each, an "**Adjustment Date**"), an adjustment is made to add to the Royalty Pool new Boston Pizza Restaurants that opened ("**New Restaurants**") and to remove any Boston Pizza Restaurants that permanently closed since January 1 of the previous year ("**Closed Restaurants**"). In return for adding new Royalty and Distributions from the New Restaurants and after subtracting the Royalty and Distributions that are lost from the Closed Restaurants<sup>7</sup> (such difference, "**Net Royalty and Distributions**"), BPI receives the right to indirectly acquire additional Fund Units (in respect of the Royalty, "**Class B Additional Entitlements**" and in respect of Distributions, "**Class 2 Additional Entitlements**", and collectively, "**Additional Entitlements**"). The calculation of Additional Entitlements is designed to be accretive to holders of Fund Units ("**Unitholders**") as the expected increase in Franchise Sales from the New Restaurants added to the Royalty Pool less the decrease in Franchise Sales from the Closed Restaurants is valued at a 7.5% discount. The Additional Entitlements are calculated at 92.5% of the estimated Royalty and Distributions expected to be generated by the New Restaurants less the actual Royalty and Distributions lost from the Closed Restaurants, multiplied by one minus the effective tax rate estimated to be paid by the Fund, divided by the yield of the Fund, divided by the weighted average Fund Unit price over a specified period. BPI receives 80% of the Additional Entitlements initially, with the balance received when the actual full year performance of the New Restaurants and the actual effective tax rate paid by the Fund are known with certainty (such balance of Fund Units in respect of the increased Royalty, the "**Class B Holdback**", and in respect of the increased Distributions, the "**Class 2 Holdback**", and collectively, the "**Holdback**"). BPI receives 100% of the distributions on the Additional Entitlements throughout the year. After the New Restaurants have been part of the Royalty Pool for a full year, an audit of the Franchise Sales of these restaurants is performed, and the actual effective tax rate paid by the Fund is determined. At such time, an adjustment is made to reconcile distributions paid to BPI and the Additional Entitlements received by BPI.

It is possible that on an Adjustment Date, the Net Royalty and Distributions is negative as a result of the estimated Royalty and Distributions expected to be generated by the New Restaurants being less than the actual Royalty and Distributions that is lost from the Closed Restaurants (the amount by which it is less is the "**Deficiency**"). In such case, BPI would not receive any Additional Entitlements, however, nor would BPI lose any of the Additional Entitlements previously received by BPI. Rather, on future Adjustment Dates, BPI would be required to make-up the Deficiency by first adding Net Royalty and Distributions in an amount equal to the Deficiency before receiving any further Additional Entitlements (i.e. BPI only receives Additional Entitlements in respect of the cumulative amount by which Royalty and Distributions from New Restaurants exceeds actual Royalty and Distributions lost from Closed Restaurants).

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<sup>7</sup> The Royalty and Distributions that are lost from the Closed Restaurants is calculated based upon the actual Franchise Sales received from the Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Business Strategy**

The success of the business of BPI, BP Canada LP, their affiliated entities and franchisees (“**Boston Pizza**”) can be attributed to four simple underlying principles that are the foundation for all strategic decision-making – the “Four Pillars” strategy.

- **Building the brand**
- **Continually improving the guest experience**
- **A commitment to Franchisee profitability**
- **On-going engagement in local communities**

BPI and BP Canada LP realize that franchisees have to be profitable to succeed. To enhance profitability and to facilitate the growth of Boston Pizza, BPI and BP Canada LP aggressively enhance and promote the Boston Pizza brand through television, radio, digital, social media, and national and local promotions. The costs associated with national marketing of Boston Pizza are paid for by the Boston Pizza advertising fund (the “**Advertising Fund**”). Franchisees pay 3.0% of Franchise Sales to the Advertising Fund; these funds are used mainly to purchase television, radio, digital and social media advertising, including for the production of marketing materials and administration costs. Both Boston Pizza franchisees and the corporate support staff continuously find new ways to improve the guests’ experience so that guests will return to Boston Pizza again and again. Boston Pizza and its franchisees connect with their communities by hosting events, engaging with local organizations, and supporting philanthropic causes. Management is confident that this “Four Pillars” strategy will continue to focus BPI’s and BP Canada LP’s efforts, develop new markets and strengthen Boston Pizza’s position as Canada’s number one casual dining brand.

**Economic Uncertainties**

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distributions and the Fund’s available cash for distribution to Unitholders, are dependent upon many economic factors. In 2023 and the first quarter of 2024, Boston Pizza Restaurants were challenged, among other things, by impacts of inflation, increases in interest rates, rising input costs, decreased labour availability and changes in consumer confidence. However, despite these challenges, Boston Pizza Restaurants have been able to generate solid Franchise Sales and offer affordable dining options, both on and off-premise, for guests in economically uncertain times. As demonstrated during COVID-19, BPI, BP Canada LP and Boston Pizza Restaurants have the ability to adapt to changes in operating environments and economic conditions. For additional information regarding economic uncertainties, refer to the “Risks & Uncertainties” section of BPI’s MD&A for the fiscal year ended December 31, 2023 (a copy of which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)).

**Seasonality**

Boston Pizza Restaurants typically experience seasonal fluctuations in Franchise Sales, which are inherent in the full-service restaurant industry in Canada. Seasonal factors, such as tourism and better weather, generally allow Boston Pizza Restaurants to open their patios and generally increase Franchise Sales in the second and third quarters each year compared to the first and fourth quarters.

**New Restaurant Openings, Closures and Renovations**

During the Period, there was one New Restaurant and three Closed Restaurants. As well, seven Boston Pizza Restaurants were renovated during the Period. Boston Pizza Restaurants typically close or partially close for two to three weeks to complete the renovation, which incorporates updated design elements that result in a refreshed and more appealing restaurant.

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**OPERATING RESULTS**

**Same Restaurant Sales**

SRS was negative 1.0% for the Period compared to positive 25.7% reported in the first quarter of 2023. SRS for the Period was principally due to macroeconomic challenges faced by the full-service industry, partially offset by menu prices. The COVID-19 restrictions that existed during the first quarter of 2022 were a significant factor in the positive SRS reported in the first quarter of 2023.

**Revenues**

BPI's total revenue was \$27.7 million for the Period compared to \$29.5 million for the first quarter of 2023. BPI's revenue was principally derived from royalty revenue and Advertising Fund contributions received by BP Canada LP from franchised Boston Pizza Restaurants, supplier contributions, sales from corporately owned restaurants and franchise renewal and transfer and fees. The \$1.8 million decrease in revenue for the Period was primarily due to lower revenues from corporately owned restaurants due to the sale of two of the restaurants in 2023 and lower supplier contributions.

**Royalty Expense and Distribution Expense**

BPI's Royalty expense to Royalties LP (being 4.0% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool) was \$8.9 million and Distribution expense (being 1.5% of Franchise Sales from Boston Pizza Restaurants in the Royalty Pool, less BPI's retained interest) was \$2.9 million for the Period, compared to \$9.0 million and \$2.9 million, respectively, for the first quarter of 2023. The \$0.1 million decrease in Royalty expense and nominal decrease in Distribution expense for the Period were primarily due to negative SRS.

**Operating Expenses Excluding Royalty Expense and Distribution Expense**

BPI's operating expenses, excluding Royalty expense and Distribution expense, were \$13.8 million for the Period, which included Advertising Fund expenses of \$6.7 million, compensation expense of \$5.4 million, other expense associated with services provided to franchised Boston Pizza Restaurants of \$0.8 million, depreciation and amortization of \$0.6 million, operational costs of a corporately owned restaurant of \$0.6 million, and management fees for services rendered by a company under common control of \$0.5 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$0.7 million. In the first quarter of 2023, BPI's operating expenses, excluding Royalty expense and Distribution expense, were \$15.4 million for the Period, which included Advertising Fund expenses of \$6.3 million, compensation expense of \$5.1 million, operational costs of corporately owned restaurants of \$2.3 million, other expense associated with services provided to franchised Boston Pizza Restaurants of \$1.4 million, depreciation and amortization of \$0.9 million, and management fees for services rendered by companies under common control of \$0.3 million. These expenses were partially offset by the amortization of deferred gain on the sale of BP Rights to Royalties LP of \$0.7 million.

The decrease in operating expenses, excluding Royalty expense and Distribution expense, of \$1.6 million for the Period was due to decreases in operational costs of corporately owned restaurants due to the sale of two corporately owned restaurants in 2023, expenses associated with services provided to franchised Boston Pizza Restaurants and in depreciation and amortization expense. This was partially offset by increases in Advertising Fund expenses due to increased advertising activity, compensation expense due to increases in wages and headcount, and management fees for services rendered by a company under common control.

The deferred gain on the sale of BP Rights to Royalties LP is amortized over 99 years, beginning in 2002 for the term of the License and Royalty Agreement dated July 17, 2002, as amended on May 9, 2005, between Royalties LP and BPI. The net deferred gain as at March 31, 2024 was \$218.5 million compared to \$221.3 million as at March 31, 2023.

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**Earnings before Interest and Fair Value (Loss) Gain**

BPI's earnings before interest and fair value (loss) gain was \$2.1 million for the Period compared to \$2.1 million for the first quarter of 2023. The nominal decrease in earnings before interest and fair value (loss) gain for the Period was principally due to a decrease in revenues, partially offset by decreases in operating, Royalty and Distribution expenses.

**Net Interest Income**

BPI's net interest income during the Period was \$0.7 million, comprised of \$0.7 million of interest income received by BPI on its Class B general partner units of Royalties LP ("**Class B Units**") and \$0.2 million of interest income on cash and cash equivalents, partially offset by \$0.2 million of interest expense on debt and financing costs and a nominal amount of interest expense on lease obligations. BPI's net interest income for the first quarter of 2023 was \$0.4 million, comprised of \$0.6 million of interest income received by BPI on its Class B Units and \$0.1 million of interest income on cash and cash equivalents, partially offset by \$0.3 million of interest expense on debt and financing costs and a nominal amount of interest expense on lease obligations. The \$0.3 million increase in net interest income for the Period was due to a decrease in interest expense on debt and financing costs due to lower debt carried, an increase in interest income on Class B Units attributable to the Fund's higher monthly distribution rates compared to the same period in 2023, and an increase in interest income earned on cash and cash equivalents due to an increase in interest rates.

**Fair Value (Loss) Gain**

During the Period, BPI recognized a fair value loss of \$1.1 million compared to a fair value gain of \$0.1 million for the first quarter of 2023. The change in fair value was principally due to the change in the price of Fund Units into which the Class B Units are exchangeable and upon which the Class 2 LP Units liability is measured.

BPI estimates the fair value of the Class B Units by multiplying the number of Fund Units that BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI at the end of the Period by the closing price of a Fund Unit on the last business day of the Period. On March 31, 2024, the Fund's closing price was \$15.72 per Fund Unit (December 31, 2023 – \$15.33 per Fund Unit) and the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) held by BPI was 2,430,823 (December 31, 2023 – 2,430,823). Consequently, the Class B Units were valued at \$38.2 million (December 31, 2023 – \$37.3 million), resulting in a fair value gain of \$0.9 million. In general, the value of the Class B Units will increase as the market price of Fund Units increases and vice versa. In addition, the value of the Class B Units increases as the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including the Class B Holdback) increases and vice versa.

The Class 1 LP Units are entitled to distributions determined with respect to the interest cost paid by the Fund on the credit facility of the Fund drawn on at the time of the 2015 Transaction to pay for the Fund's indirect investment in Class 1 LP Units of BP Canada LP. BPI estimates the fair value of the Class 1 LP Units liability using a market-corroborated input, being the interest rate on the applicable credit facility. Consequently, BPI estimated the fair value of Class 1 LP Units liability as at March 31, 2024 to be \$33.3 million (December 31, 2023 – \$33.3 million), resulting in no fair value adjustment for the Period.

BPI estimates the fair value of the Class 2 LP Units liability by multiplying the number of Class 2 LP Units indirectly held by the Fund at the end of the Period by the closing price of a Fund Unit on the last business day of the Period. As at March 31, 2024, the Fund indirectly held 5,455,762 Class 2 LP Units (December 31, 2023 – 5,455,762) and the Fund's closing price on March 31, 2024 was \$15.72 per Fund Unit (December 31, 2023 – \$15.33 per Fund Unit). Consequently, BPI estimated the fair value of the Class 2 LP Units liability as at March 31, 2024 to be \$85.8 million (December 31, 2023 – \$83.6 million), resulting in a fair value loss of \$2.1 million for the Period. In general, the fair value of the Class 2 LP Units liability will increase as the market price of Fund Units increases and vice versa.

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**Earnings before Income Taxes**

Given the combined effects of the above-noted factors, BPI had earnings before income taxes of \$1.6 million for the Period compared to \$2.6 million for the first quarter of 2023. The \$1.0 million decrease in earnings before income taxes was primarily due to an increase in fair value loss, partially offset by an increase in net interest income.

**Income Tax Expense**

BPI recognized a \$0.5 million current income tax expense for the Period compared to \$0.5 million for the first quarter of 2023. The nominal decrease in current income tax expense for the Period is mainly due to the timing of temporary differences.

BPI recognized \$0.4 million deferred income tax expense for the Period compared to \$0.3 million for the first quarter of 2023. The \$0.1 million increase in deferred income tax expense is primarily due to the timing of temporary differences.

**Net and Comprehensive Income**

BPI's net and comprehensive income for the Period was \$0.7 million compared to \$1.8 million for the first quarter of 2023. The \$1.1 million decrease is primarily due to the decrease in earnings before income taxes, partially offset by the increase in income tax expense.

**New Restaurants Added to the Royalty Pool**

*Boston Pizza Restaurants Added to Royalty Pool on January 1, 2024*

On January 1, 2024, the Royalty Pool was adjusted to include one New Restaurant that opened across Canada during 2023, and to remove six Closed Restaurants that were permanently closed during 2023, resulting in the number of Boston Pizza Restaurants in the Royalty Pool decreasing from 377 to 372. The estimated annual Franchise Sales in 2024 for the one New Restaurant that opened in 2023 is \$1.8 million. The actual Franchise Sales received from the six Closed Restaurants during the first 12-month period immediately following their addition to the Royalty Pool was \$9.2 million. Accordingly, the resulting estimated annual net Franchise Sales for 2023 is negative \$7.5 million. Consequently, this resulted in the Net Royalty and Distributions having a Deficiency for 2023 of \$0.4 million (being 5.5% of negative \$7.5 million net Franchise Sales). Since there was a Deficiency for 2023 of \$0.4 million, BPI did not receive any Additional Entitlements on January 1, 2024. However, BPI did not lose any of the Additional Entitlements it received in respect of previous years. Instead, BPI will be required to make-up the cumulative Deficiency for 2020 through 2023 on future Adjustment Dates by first adding Net Royalty and Distributions in an amount equal to the cumulative Deficiency before receiving any further Additional Entitlements.

The following is a summary of the cumulative Deficiency that exists:

Adjustment Date	Actual / Estimated Franchise Sales of New Restaurants for Adjustment Date (in millions)*	Franchise Sales of Closed Restaurants for Adjustment Date (in millions)*	Net Franchise Sales for Adjustment Date (in millions)*	Deficiency, being 5.5% of Net Franchise Sales (in millions)*
January 1, 2021	\$3.1 <sup>†</sup>	\$18.5	(\$15.4)	(\$0.8)
January 1, 2022	--	\$6.2	(\$6.2)	(\$0.3)
January 1, 2023	--	\$6.8	(\$6.8)	(\$0.4)
January 1, 2024	\$1.8 <sup>††</sup>	\$9.2	(\$7.5)	(\$0.4)
<b>Cumulative</b>	<b>\$4.9</b>	<b>\$40.7</b>	<b>(\$35.9)</b>	<b>(\$2.0)</b>

\*Figures are rounded to one decimal place. <sup>†</sup>Determined in February 2022 after an audit of Franchise Sales for 2021 was performed on the New Restaurants. <sup>††</sup>To be determined and adjusted in February 2025 after an audit of Franchise Sales for 2024 is performed on the one New Restaurant for 2023, with the corresponding net Franchise Sales and Deficiency in respect of the Adjustment Date of 2024 being amended accordingly.

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Audit of Boston Pizza Restaurants Added to Royalty Pool on January 1, 2023

Since no New Restaurants were opened during 2022 nor were added to the Royalty Pool on January 1, 2023, there was no need to conduct an audit to compare the actual Franchise Sales from New Restaurants that were opened in 2022 to the estimated amount of Franchise Sales expected to be generated by these New Restaurants during 2023 nor to compare the actual effective tax rate paid by the Fund for 2023 to the estimated effective tax rate the Fund expected to pay for 2023.

**Fund Units Outstanding**

The following table sets forth a summary of the outstanding Fund Units. BPI owns 100% of the Class B Units and 1% of the ordinary general partner units of Royalties LP. BPI also owns 100% of the Class 2 GP Units, and 100% of the Class 3, Class 4, Class 5 and Class 6 general partnership units of BP Canada LP. The Class B Units and Class 2 GP Units are exchangeable for Fund Units. References to "Class B Additional Entitlements" and "Class 2 Additional Entitlements" in the table below refer to the number of Fund Units into which the Class B Units and Class 2 GP Units, respectively, are exchangeable as of the dates indicated.

	Issued and Outstanding Units and Additional Entitlements	Issued and Outstanding Units, Additional Entitlements and Holdback
<u>Units Outstanding</u>		
Issued and Outstanding Fund Units as of March 31, 2024	21,278,563	21,278,563
<u>Class B Additional Entitlements Outstanding</u>		
Class B Additional Entitlements – Outstanding as of December 31, 2023	2,430,823	2,430,823
Class B Additional Entitlements – Issued as of January 1, 2024	--	-- (1)
Class B Holdback Created January 1, 2024	N/A	-- (1)
Class B Additional Entitlements – Issued in respect of 2023 after the audit	N/A	N/A (2)
Total Class B Additional Entitlements as of May 9, 2024	2,430,823	2,430,823
<u>Class 2 Additional Entitlements Outstanding</u>		
Class 2 Additional Entitlements – Outstanding as of December 31, 2023	831,354	831,354
Class 2 Additional Entitlements – Issued as of January 1, 2024	--	-- (1)
Class 2 Holdback Created January 1, 2024	N/A	-- (1)
Class 2 Additional Entitlements – Issued in respect of 2023 after the audit	N/A	N/A (2)
Total Class 2 Additional Entitlements as of May 9, 2024	831,354	831,354
<u>Summary as of May 9, 2024</u>		
Total Issued and Outstanding Fund Units	21,278,563	21,278,563
Total Additional Entitlements	3,262,177	3,262,177
Fully Diluted Fund Units	24,540,740	24,540,740
BPI's Percentage Ownership	13.3%	13.3%

(1) No Additional Entitlements were issued to BPI and no Holdback was created since a Deficiency existed in respect of the January 1, 2024 Adjustment Date.

(2) Since no New Restaurants were opened during 2022 nor were added to the Royalty Pool on January 1, 2023, there was no need to conduct an audit.

BPI directly and indirectly holds 100% of the special voting units (the "Special Voting Units") of the Fund, which entitle BPI to one vote in respect of matters to be voted upon by Unitholders for each Fund Unit that BPI would be entitled to receive if it exchanged all of its Class B Units and Class 2 GP Units for Fund Units. As of May 9, 2024, BPI was entitled to 3,262,177 votes, representing 13.3% of the aggregate votes held by holders of Fund Units and Special Voting Units. The number of Fund Units that BPI is entitled to receive upon the exchange of its Class B Units and Class 2 GP Units and the number of votes that BPI is entitled to in respect of its Special Voting Units is adjusted periodically to reflect any additional Boston Pizza Restaurants that were added to the Royalty Pool.

**LIQUIDITY & CAPITAL RESOURCES**

BPI is an entirely franchised business except for one corporate Boston Pizza Restaurant that it owned as at March 31, 2024. For 2024, BPI has forecasted capital requirements of approximately \$3.3 million, which consist mainly of the development of software applications and digital platforms, and computer equipment. BPI believes it

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has sufficient cash and capital resources to cover forecasted expenditures, capital requirements, commitments and repayments for 2024. BPI constantly monitors its operations and cash flows to ensure that current and future obligations will be met. BPI believes its current sources of liquidity are sufficient to cover its currently known short and long-term obligations. In addition, BPI has the ability to manage its working capital with the Operating Line (as defined below).

**Indebtedness**

BPI has credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to \$21.2 million that expire on July 1, 2026 (the "**Credit Facilities**"). As at March 31, 2024, the Credit Facilities were comprised of: (i) a \$10.0 million committed revolving facility to cover BPI's day-to-day operating requirements if needed (the "**Operating Line**"); and (ii) a \$11.2 million committed non-revolving term facility that was used to finance the reorganization of BPI and its shareholders that completed on September 30, 2017 (the "**Term Loan**"). The Credit Facilities bear interest at variable interest rates comprised of either, or a combination of, the Bank's bankers' acceptance rates or Canadian dollar offered rates<sup>8</sup> plus between 1.25% and 2.10%, or the Bank's prime rate plus between 0.00% and 0.90%, depending upon the Total Funded Net Debt to EBITDA ratio, and interest is payable monthly in arrears. The Term Loan and the principal amount drawn on the Operating Line are due and payable upon maturity. The principal amount drawn on the Term Loan must be reduced by quarterly payments of \$0.4 million each.

The Credit Facilities are guaranteed by all of BPI's subsidiaries except BP Canada LP, and BPI and each of those subsidiaries have granted general security over their assets to secure their obligations under the Credit Facilities and such guarantees. No security has been given by BP Canada LP in respect of the Credit Facilities. Neither the Fund nor any of its subsidiaries has guaranteed or provided any security in respect of the Credit Facilities. BPI and each of BPI's subsidiaries (including BP Canada LP) have also granted Royalties LP security over their assets to secure BPI's and BP Canada LP's obligations to pay Royalty and Distributions.

The principal financial covenants of the Credit Facilities are that: (a) BPI and its subsidiaries, taken as a whole, shall maintain a Total Funded Net Debt to EBITDA ratio of not greater than 3.00:1 (tested quarterly on a trailing 12-month basis); (b) BPI and its subsidiaries, taken as a whole, shall not permit its: (i) pre-distribution debt service coverage ratio to be less than 1.10:1 on closing and until December 31, 2023 and less than 1.25:1 thereafter (tested quarterly on a trailing 12-month basis); and (ii) post-distribution debt service coverage ratio to be less than 1.00:1 (tested quarterly on a trailing 12-month basis); and (c) the Class B Units and Class 2 GP Units that a subsidiary of BPI has pledged to the Bank and which are exchangeable for Fund Units must have a value, at any time, equal to at least 100% of the outstanding advances under the credit facilities advanced pursuant to the Credit Facilities. "**Total Funded Net Debt**" is defined as all indebtedness excluding accounts payable, short-term non-interest bearing unsecured debt, deferred income taxes and certain related party debt net of cash on the balance sheet, generated from operations and held in accounts at the Bank. In addition, the first amended and restated credit agreement dated January 24, 2020 between BPI and the Bank, as amended by the first supplemental credit agreement dated June 22, 2020 and the Second Supplemental Credit Agreement, governing the Credit Facilities contain certain covenants and restrictions, including the requirement to meet the financial ratios described above. A failure of BPI to comply with these covenants and restrictions could entitle the Bank to demand repayment of the outstanding balance drawn on the Credit Facilities prior to maturity. BPI was in compliance with all of its financial covenants and financial condition tests as at the end of the Period. As of March 31, 2024, no amount was drawn on the Operating Line and \$11.2 million was drawn on the Term Loan.

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<sup>8</sup> A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("**IBOR**") with alternative rates. On December 16, 2021, the Canadian Alternative Reference Rate working group ("**CARR**") recommended that the administrator, Refinitiv Benchmark Services UK Limited ("**RBSL**"), cease publication of the Canadian Dollar Offered Rate ("**CDOR**") settings immediately after June 28, 2024. On May 16, 2022, following public consultation, RBSL announced that all remaining CDOR settings will cease publication immediately after June 28, 2024, in line with CARR recommendations. As at March 31, 2024, BPI's IBOR exposure is indexed to CDOR. The alternative rate for CDOR is the Canadian Overnight Repo Rate Average ("**CORRA**"). BPI is in discussions with the Bank to amend the Credit Facilities prior to June 28, 2024 to replace the current rates that are based upon CDOR with corresponding rates that are based upon CORRA. While the precise rates that will be based on CORRA have not yet been definitively agreed upon by BPI and the Bank, BPI does not expect these amendments to result in a material increase in BPI's cost of borrowing under the Credit Facilities.

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Contractual Obligations and Commercial Commitments

A summary of the estimated amount and estimated timing of cash flows related to BPI's contractual obligations and commercial commitments as at March 31, 2024 is as follows:

(in thousands of dollars)	Within 1 year	2 - 3 years	4 - 5 years	Over 5 years	Total	Book Value
Accounts payable and accrued liabilities	6,767	-	-	-	6,767	6,767
Royalty and distributions payable to the Fund	4,299	-	-	-	4,299	4,299
Debt <sup>1</sup>	2,296	10,323	-	-	12,619	11,200
Other long-term liabilities	-	519	-	-	519	519
Lease obligations <sup>2</sup>	(247)	1,006	709	1,385	2,853	2,187
	13,115	11,848	709	1,385	27,057	24,972

Note:

- 1) Includes estimated interest on debt and excludes deferred financing costs of \$0.1 million.  
2) Represents minimum annual rental payments under lease contracts for office space, restaurant space and equipment.

**Cash Flows**

Cash Flow from Operating Activities

During the Period, operating activities used \$4.9 million of cash compared to \$3.7 million during the first quarter of 2023. The \$1.2 million increase was primarily due to decreases in working capital, net income after adjustments for non-cash items and an increase in income taxes paid.

Cash Flow from Financing Activities

During the Period, financing activities used \$0.7 million of cash compared to \$0.7 million during the first quarter of 2023. The nominal increase in cash used was primarily due to increase in net lease obligation payments due to the receipt of a tenant inducement in the first quarter of 2023, partially offset by a decrease in interest paid on debt and lower repayment of debt.

Cash Flow from Investing Activities

During the Period, investing activities generated \$0.6 million of cash compared to \$0.7 million during the first quarter of 2023. Cash generated from investing activities typically represents distributions received by BPI on the Class B Units. Cash used from investing activities typically represents purchases of property and equipment as well as intangible assets. The \$0.1 million decrease in cash generated was due to higher purchases of property and equipment, partially offset by an increase in distributions received on Class B Units.

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**Related Party Transactions**

BPI's related party balances owing at the end of the period and related party transactions for the Period were as follows:

(in thousands of dollars)	March 31, 2024	March 31, 2023
Accounts receivables due from associated companies	\$ 1,516	\$ 1,020
Accounts payable due to associated companies	4	-
Royalty payable to Royalties LP	3,274	3,328
Distributions payable to Holdings LP	1,025	1,042

(in thousands of dollars)	Q1 2024	Q1 2023
Fees charged to the Fund in respect of administrative services <sup>(1)</sup>	\$ 111	\$ 107
Royalty expense to the Fund	8,881	8,968
Distribution expense to the Fund	2,919	2,949
Management fees paid for services rendered to companies under common control	500	250
Interest income from Royalties LP	729	632

- (1) The Fund is considered to be a related party of BPI by virtue of common officers and directors of BPI and Boston Pizza GP Inc., the managing general partner of Royalties LP. The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund ("**Administrative Services**"). In turn, certain of the Administrative Services are performed by BPI as a general partner of Royalties LP. Under the terms of the partnership agreement governing Royalties LP, BPI is entitled to be reimbursed for certain out-of-pocket expenses incurred in performing the Administrative Services. BPI and Royalties LP agreed to limit the annual amount of out-of-pocket expenses for which BPI was entitled to be reimbursed to not more than \$0.4 million for each of 2020, 2021 and 2022, after which time the amount will not increase by more than the percentage change in the Canadian Consumer Price Index (as calculated by Statistics Canada) in the calendar year prior thereafter. The Fund increased the reimbursement to BPI by a nominal amount in 2024, which is based on a 3.9% increase in the Canadian Consumer Price Index in 2023.

The total amount charged by BPI in respect of these services for the Period was \$0.1 million (Q1 2023 – \$0.1 million). The total amount paid to BPI in respect of these services for the Period was 0.1 (Q1 2023 – \$0.1 million).

Other related party transactions and balances are referred to elsewhere in this MD&A.

**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

During the Period, there was no change in BPI's internal control over financial reporting that materially affected, or is reasonably likely to materially affect, BPI's internal controls over financial reporting. BPI complies with the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework: 2013.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of BPI's condensed consolidated interim financial statements in accordance with IFRS requires estimates and judgments to be made that affect the reported amounts of assets and liabilities, earnings and expenses, and related disclosures. These estimates are based on historical experience and knowledge of economics, market factors and the restaurant industry along with various other assumptions that are believed to be reasonable under the circumstances.

BPI believes that the following selected accounting policies are critical to understanding the estimates, assumptions and uncertainties that affect the amounts reported and disclosed in BPI's consolidated financial statements and related notes:

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Estimate – Investment in Royalties LP

BPI's investment in Royalties LP is principally comprised of the Class B Units. The value of New Restaurants rolled into the Royalty Pool is also recognized within BPI's investment in Royalties LP through BPI's right to receive Class B Additional Entitlements. The value of the Class B Additional Entitlements that BPI will be entitled to as a result of adding New Restaurants to the Royalty Pool is determined on a formula basis that is designed to estimate the present value of the cash flows due to the Fund as a result of the New Restaurants being added to the Royalty Pool. As such, the calculation is dependent on a number of variables including the estimated long-term sales of the New Restaurants and a discount rate. The value of the Class B Additional Entitlements that BPI will be entitled to as a result of adding New Restaurants to the Royalty Pool could differ from actual results and may impact the investment in Royalties LP and deferred gains line items.

Estimate – Accounts Receivable

BPI provides an allowance for uncollectable trade receivables based on a customer-by-customer basis using estimates for past and current performance, aging, arrears status, the level of allowance already in place, and management's interpretation of economic conditions specific to BPI's customer base. If certain judgments or estimates prove to be inaccurate, BPI's results of operations and financial position may be impacted.

Estimate – Class B Units, Class 1 LP Units, and Class 2 LP Units

BPI must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. BPI's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable as of the reporting date.
- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

The fair values of the Class B Units, Class 1 LP Units liability and Class 2 LP Units liability are all determined using Level 2 inputs and are measured on a recurring basis.

(i) Class B Units

BPI has elected under IFRS to measure the Class B Units as a financial asset at fair value through profit and loss. This requires that BPI use a valuation technique to determine the value of BPI's investment in BP Royalties LP at each reporting date. The Class B Units are exchangeable for Fund Units, and thus, it is estimated that the value of the Class B Units approximates the number of Fund Units into which they are exchangeable. The Fund estimates the fair value of the Class B Units liability by multiplying the number of Fund Units BPI would be entitled to receive if it exchanged all of the Class B Units (including Class B Holdback) held by BPI at the end of the period by the closing price of the Fund Units on the last business day of the period.

This valuation technique may not represent the actual value of the financial asset should such units be extinguished and changes in the distribution rate on the Class B Units and the yield of the Fund Units could materially impact BPI's financial position and net and comprehensive income.

(ii) Class 1 LP Units Liability and Class 2 LP Units Liability

The Class 1 LP Units liability and Class 2 LP Units liability are classified as financial liabilities measured at fair value through profit or loss because the entitlements to distributions are considered embedded derivatives to the limited partnership units. BPI measures the Class 1 LP Units liability and Class 2 LP Units liability at fair value using

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Level 2 inputs, which may result in a fair value adjustment on the BP Canada LP units liability line on the statements of financial position, and the fair value loss (gain) line on the statements of comprehensive income and a corresponding non-cash adjustment line on the statements of cash flows.

The fair value of the Class 1 LP Units liability for BPI mirrors the fair value of the investment in Class 1 LP Units asset recognized by the Fund for any particular period. The Class 1 LP Units are entitled to distributions with respect to the interest payable by the Fund on the credit facility to pay for the Fund's indirect investment in Class 1 LP Units of BP Canada LP. BPI estimates the fair value of Class 1 LP Units liability using a market-corroborated input, being the interest rate on the applicable credit facility. Consequently, BPI estimates the fair value of Class 1 LP Units liability at carrying value adjusted for interest rate risk.

The fair value of the Class 2 LP Units liability for BPI mirrors the fair value of the investment in Class 2 LP Units asset recognized by the Fund for any particular period. The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units held by BPI, which are exchangeable for Fund Units. The fair value of the Class 2 LP Units is determined using a market approach, which involves using observable market prices for similar instruments. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit on the last business day of the period.

These valuation techniques may not represent the actual value of the Class 1 LP Units liability and Class 2 LP Units liability should such liabilities be extinguished. Changes in the distribution rates on the Class 1 LP Units and Class 2 LP Units and the yield of Fund Units could materially impact BPI's financial position and net income.

*Judgment – Consolidation*

Applying the criteria outlined in IFRS 10, judgment is required in determining whether BPI controls Royalties LP and BP Canada LP. Making this judgment involves taking into consideration the concepts of power over Royalties LP and BP Canada LP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of Royalties LP and BP Canada LP so as to generate economic returns. With respect to Royalties LP, using these criteria, management has determined that BPI does not ultimately control Royalties LP. With respect to BP Canada LP, using these criteria, management has determined that BPI ultimately controls BP Canada LP through its ability to direct relevant activities to generate economic returns from BP Canada LP and its governance as managing general partner of BP Canada LP.

**CHANGES IN ACCOUNTING POLICIES**

*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On January 23, 2020, the IASB issued Presentation of Financial Statements (Amendments to IAS 1) and on October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments clarify the classification of liabilities as current or non-current and improve the information a company provides about long-term debt with covenants. For the purposes of non-current classification, the amendments:

- (i) Remove the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance.
- (ii) Clarify that covenants with which a company must comply after the reporting date do not affect the liability's classification at the reporting date.
- (iii) Require classification of liabilities that will be settled by the issue of equity instruments.

BPI has reviewed these amendments and has not identified an impact on the BPI's business, financial statements or disclosure. BPI adopted these amendments in its condensed interim financial statements for the period beginning on January 1, 2024.

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**SHORT-TERM OUTLOOK**

The information contained in this "Short-Term Outlook" section is forward-looking information. Please see the "Note Regarding Forward-Looking Information" and "Risks & Uncertainties" sections of this MD&A for a discussion of the risks and uncertainties in connection with forward-looking information.

The two principal factors that affect SRS are changes in guest traffic and changes in average guest cheque. BPI's and BP Canada LP's strategies to drive higher guest traffic include attracting a wide variety of guests into the restaurant, sports bar and take-out and delivery parts of each location, offering a compelling value proposition to guests and leveraging a larger marketing budget versus the previous year along with a revised calendar of national and local store promotions. Increased average cheque levels are expected to be achieved through a combination of menu mix change and increases to menu prices.

The success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distributions and the Fund's cash available for distribution to Unitholders, are dependent upon many economic factors, including impacts of inflation, increases in interest rates, rising input costs, unemployment rates, consumer confidence, recession, supply chain disruption, labour availability and other globally disruptive events. Despite the current state of economic uncertainty, Boston Pizza Restaurants have been able to generate solid Franchise Sales and offer affordable dining options, both on and off-premise, for guests in economically uncertain times. As demonstrated during COVID-19, BPI, BP Canada LP and Boston Pizza Restaurants have the ability to adapt to changes in operating environments and economic conditions. However, with supply chain challenges, rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, together with widespread focus on sustainability and climate-related issues, BPI's management remains cautious. The focus of BPI's management is to adapt the business to successfully mitigate these challenges and maintain positive sales levels in 2024.

**GOVERNANCE OF CLIMATE-RELATED RISK AND OPPORTUNITIES**

There is increased focus in the marketplace on climate-related risks and opportunities affecting business, as well as a belief that mandatory reporting requirements regarding climate-related risks and opportunities may be adopted in Canada in the future. In response to this, BPI and BP Canada LP have begun preparing for such prospective requirements.

BPI's board of directors and senior management of BPI are responsible for oversight of climate-related risks and opportunities affecting BPI, BP Canada LP and Boston Pizza Restaurants. BPI's senior management is in the process of identifying climate-related risks and opportunities applicable to BPI, BP Canada LP and Boston Pizza Restaurants, including long, medium and short-term transitional and physical risks. Once fully identified, BPI's senior management will assess such risks and opportunities and determine appropriate tools and strategies to manage the same, all within the overall risk appetite framework set by BPI's board of directors and senior management. BPI's senior management will be updating and collaborating with the trustees of the Fund throughout this process.

**RISKS & UNCERTAINTIES**

For more information on risks and uncertainties related to BPI and the Fund, please refer to BPI's and the Fund's MD&As for the year-ended December 31, 2023 available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

**ADDITIONAL INFORMATION**

Additional information relating to BPI, the Fund, Royalties LP, Boston Pizza GP Inc., BPCHP, Boston Pizza Holdings Trust, Holdings LP, Boston Pizza Holdings GP Inc. and BP Canada LP, including the Fund's Annual Information Form dated February 13, 2024, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and on the Fund's website at [www.bpincomefund.com](http://www.bpincomefund.com).

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**NOTE REGARDING FORWARD-LOOKING INFORMATION**

Certain information in this MD&A constitutes "forward-looking information" that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of BPI, the Fund, Boston Pizza Holdings Trust, Royalties LP, Holdings LP, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPCHP, BP Canada LP, Boston Pizza Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this MD&A, forward-looking information may include words such as "anticipate", "estimate", "may", "will", "should", "expect", "believe", "plan", "forecast" and other similar terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this MD&A.

Forward-looking information in this MD&A includes, but is not limited to, such things as all statements, other than statements of historical facts, included herein that address events or developments that management of BPI expects or anticipates will or may occur in the future are forward-looking information. Forward-looking information in this MD&A includes, but is not limited to, such things as:

- future distributions and dates that distributions are to be paid or payable;
- how changes in distributions will be implemented;
- how distributions will be funded;
- the maintenance of franchisee relationships;
- increased average cheque levels are achieved through a combination of menu mix change and increases to menu prices;
- the extent to which menu price increases result in increased average guest cheque being dependent upon consumer reaction to the price increases;
- impact of seasonality and competition on Franchise Sales;
- the "Four Pillars" strategy will continue to focus BPI's and BP Canada LP's efforts to develop new markets and strengthen Boston Pizza's position as Canada's number one casual dining brand;
- the success of BPI, BP Canada LP and Boston Pizza Restaurants, and the amount of Franchise Sales, Royalty, Distributions and distributable cash available for distribution to Unitholders, being dependent upon many economic factors, including impacts of inflation, increases in interest rates, rising input costs, decreased labour availability and changes in consumer confidence;
- the expectation that effective management among the trustees of the Fund, BPI and BP Canada LP for the oversight of climate-related risks and opportunities will be essential in ensuring sustainability and long-term success of the Fund, BPI, BP Canada LP and Boston Pizza Restaurants;
- the outcome of the assessment of identifying climate-related risks and opportunities applicable to BPI, BP Canada LP and Boston Pizza Restaurants;
- the impact of mandatory reporting requirements regarding climate-related risks and opportunities being adopted in Canada;
- increased focus in the marketplace on climate-related risks and opportunities affecting business;
- BPI, BP Canada LP and Boston Pizza Restaurants having the ability to adapt to changes in operating environments and economic conditions;
- the future expansion of Boston Pizza Restaurants;
- BPI's, BP Canada LP's and Boston Pizza Restaurants' ability to address or respond to supply chain challenges, rising interest rates, increasing input costs and labour shortages impacting most of the restaurant industry, together with sustainability and climate-related issues;
- estimates relating to the amount and timing of cash flows related to BPI's contractual obligations and commercial commitments;
- adjustments to Additional Entitlements that are to occur in the future and when such adjustments will occur;
- that BPI has sufficient cash and capital resources for 2024, and that its current sources of liquidity are sufficient to cover its currently known short and long-term obligations;
- debt of franchisees of BP Canada LP, including degree of debt leverage and interest rate risk;
- BPI constantly monitoring its operations and cash flows to ensure that current and future obligations will be met;

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BOSTON PIZZA INTERNATIONAL INC.

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- that BPI's and BP Canada LP's aggressive enhancement and promotion of the Boston Pizza brand enhances profitability and facilitates growth of Boston Pizza;
- BPI and BP Canada LP's ability to implement strategies driving higher guest traffic and increased average cheque levels;
- the ability to leverage a larger marketing budget along with a revised calendar of national and local store promotions;
- the amendments to the Credit Facilities and the rates therein not resulting in a material increase in the Fund's cost of borrowing under the Credit Facilities;
- BPI's management remaining cautious; and
- the focus of BPI's management being to adapt the business to successfully mitigate challenges and maintain positive sales levels in 2024.

The forward-looking information disclosed herein is based on a number of assumptions including, among other things:

- absence of amendments to material contracts;
- no strategic changes of direction occurring;
- absence of changes in law;
- protection of BP Rights;
- pace of commercial real estate development;
- franchisees' access to financing;
- franchisees duly paying franchise fees and other amounts;
- there will be no closures of Boston Pizza Restaurants that materially affect the amount of Royalty paid by BPI to Royalties LP or the amount of Distributions paid by BP Canada LP to Holdings LP;
- future results being similar to historical results;
- expectations related to future general economic conditions;
- management of BPI and BP Canada LP maintaining current strategies to drive higher guest traffic and higher average guest cheques;
- Boston Pizza Restaurants maintaining operational excellence;
- Boston Pizza's ability to remain relevant to guests;
- culinary innovation and menu re-pricing;
- continuing operations of key suppliers;
- availability of experienced management and hourly employees;
- the absence of significant supply chain interruptions;
- ability to respond to, address or mitigate rising interest rates, increasing input costs, labour shortages and sustainability or climate-related issues, including extreme weather events;
- ability to obtain qualified franchisees;
- ability to open sufficient New Restaurants to replace Franchise Sales of Closed Restaurants;
- ability to comply with disclosure obligations under franchise laws and regulations;
- ability to comply with various federal, provincial and local government laws and regulations;
- ability to obtain adequate insurance coverage;
- ability to enter into arrangements with suppliers and distributors to generate competitive pricing for franchisees and revenue for BP Canada LP;
- ability to adapt to changes in operating environments and economic conditions;
- ability to cover forecasted expenditures, capital requirements, commitments and repayments for 2024;
- current sources of liquidity are sufficient to cover currently known short and long term obligations;
- estimates and judgements used in accounting based on historical experiences, knowledge of economics, market factors and restaurant industry; and
- franchisees' ability to operate restaurants in a manner consistent with BPI's standards.

This forward-looking information involves a number of risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by the forward-looking information contained herein including, but not limited to:

- competition;

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- consumer spending habits;
- consumer confidence in the retail sector;
- household debt;
- weather;
- climate change;
- pricing;
- changes in demographic trends;
- changes in consumer preferences and discretionary spending patterns;
- changes in national and local business and economic conditions;
- legislation and government regulation;
- cash distributions are not guaranteed;
- accounting policies and practices;
- the results of operations and financial conditions of franchisees, BPI and the Fund;
- inflation and interest rates;
- increase in food, labour or benefits costs;
- Boston Pizza Restaurant closures and openings;
- successful challenge of the BP Rights;
- inadequacy of insurance coverage, increases to insurance premiums, and restrictive conditions of insurance policies;
- increases in sales tax;
- litigation against franchisees;
- inability to attract and retain key personnel;
- data security breaches and technological failures;
- global disruptions, including geopolitical events, war or hostilities, terrorist or military activities, or natural disasters; and
- pandemics and national health crises.

The foregoing list of factors is not exhaustive and should be considered in conjunction with the risks and uncertainties set out in this MD&A.

This MD&A discusses some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking information. Forward-looking information is provided as of the date hereof and, except as required by law, BPI assumes no obligation to update or revise forward-looking information to reflect new events or circumstances.

Condensed Consolidated Interim Financial Statements of

**BOSTON PIZZA INTERNATIONAL INC.**

Three months ended March 31, 2024 and 2023  
(Unaudited)

**BOSTON PIZZA INTERNATIONAL INC.**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 7,024	\$ 12,032
Accounts and other receivables ( <i>note 3</i> )	9,993	10,081
Prepaid expenses and other current assets	4,765	2,423
Income tax receivable	347	188
Advertising fund restricted assets	14,456	16,472
Interest receivable from Boston Pizza Royalties Limited Partnership	-	323
	<u>36,585</u>	<u>41,519</u>
Long-term receivables ( <i>note 3</i> )	60	60
Investment in Boston Pizza Royalties Limited Partnership ( <i>note 4</i> )	38,213	37,265
Property and equipment	5,255	5,253
Intangible assets	3,999	4,132
Deferred income taxes	62,595	63,017
<b>Total assets</b>	<b>\$ 146,707</b>	<b>\$ 151,246</b>
<b>Liabilities and Shareholder Deficiency</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 6,767	\$ 10,319
Royalty and distributions payable to the Fund ( <i>note 11</i> )	4,299	4,412
Deferred revenue	2,045	1,459
Debt ( <i>note 5</i> )	1,543	1,543
Lease obligation	302	298
Advertising fund restricted liabilities	13,480	16,346
	<u>28,436</u>	<u>34,377</u>
Deferred revenue	1,777	1,866
Debt ( <i>note 5</i> )	9,529	9,915
Lease obligation	2,576	2,689
Advertising fund restricted liabilities	5,123	3,938
Other long-term liabilities	519	1,799
Boston Pizza Canada Limited Partnership units liability ( <i>note 6</i> )	119,079	116,951
Deferred gain ( <i>note 7</i> )	218,487	219,193
<b>Total liabilities</b>	<b>385,526</b>	<b>390,728</b>
<b>Shareholder deficiency</b>		
Share capital	38,248	38,248
Accumulated deficit	(277,067)	(277,730)
	<u>(238,819)</u>	<u>(239,482)</u>
<b>Total liabilities and shareholder deficiency</b>	<b>\$ 146,707</b>	<b>\$ 151,246</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Condensed Consolidated Interim Statements of Net and Comprehensive Income**  
**For the three months ended March 31, 2024 and 2023**  
(Expressed in thousands of Canadian dollars, except per share data)  
(Unaudited)

	<b>2024</b>	<b>2023</b>
<b>Revenue</b>		
Franchise, restaurant and other	\$ 21,378	\$ 23,545
Advertising fund revenue	6,367	5,942
	<b>27,745</b>	<b>29,487</b>
Royalty expense (note 11)	8,881	8,968
Distribution expense (notes 6 and 11)	2,919	2,949
Restaurant operating costs	551	2,280
Compensation expense	5,408	5,103
Advertising fund expense	6,702	6,264
Other expenses (note 10)	756	1,367
Depreciation and amortization	600	877
Management fee (note 11)	500	250
Amortization of deferred gain (note 7)	(706)	(706)
Operating expenses	<b>25,611</b>	<b>27,352</b>
<b>Earnings before interest, fair value loss (gain) and taxes</b>	<b>2,134</b>	<b>2,135</b>
Interest income from Boston Pizza Royalties Limited Partnership	(729)	(632)
Interest income on cash and cash equivalents	(162)	(117)
Interest on debt and financing costs	210	328
Interest on lease obligations	30	54
Net interest income	<b>(651)</b>	<b>(367)</b>
Fair value (gain) loss on investment in Boston Pizza Royalties Limited Partnership (note 4)	(948)	97
Fair value loss (gain) on Boston Pizza Canada Limited Partnership units liability (note 6)	2,128	(218)
Total fair value loss (gain)	<b>1,180</b>	<b>(121)</b>
<b>Earnings before income taxes</b>	<b>1,605</b>	<b>2,623</b>
Current income tax expense (note 9)	520	532
Deferred income tax expense (note 9)	422	294
Total tax expense	<b>942</b>	<b>826</b>
<b>Net and comprehensive income for the period</b>	<b>\$ 663</b>	<b>\$ 1,797</b>
Basic and diluted earnings per share	<b>\$ 6.76</b>	<b>\$ 18.32</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Condensed Consolidated Interim Statements of Changes in Shareholder Deficiency**  
**For the three months ended March 31, 2024 and 2023**  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

	Share Capital	Accumulated Deficit	Total Deficiency
<b>Balance – December 31, 2023</b>	\$ 38,248	\$ (277,730)	\$ (239,482)
Net and comprehensive income for the period	-	663	663
<b>Balance – March 31, 2024</b>	\$ 38,248	\$ (277,067)	\$ (238,819)
<b>Balance – December 31, 2022</b>	\$ 38,248	\$ (286,827)	\$ (248,579)
Net and comprehensive income for the period	-	1,797	1,797
<b>Balance – March 31, 2023</b>	\$ 38,248	\$ (285,030)	\$ (246,782)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the three months ended March 31, 2024 and 2023**  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

	2024	2023
<b>Cash flows (used in) generated from</b>		
<b>Operating activities</b>		
Net and comprehensive income for the period	\$ 663	\$ 1,797
Adjustments for:		
Depreciation and amortization	600	877
Current income tax expense (note 9)	520	532
Deferred income tax expense (note 9)	422	294
Amortization of deferred gain (note 7)	(706)	(706)
Bad debt expense (note 10)	-	62
Fair value (gain) loss on investment in Boston Pizza Royalties Limited Partnership (note 4)	(948)	97
Fair value loss (gain) on Boston Pizza Canada Limited Partnership units liability (note 6)	2,128	(218)
Interest income from Boston Pizza Royalties Limited Partnership	(729)	(632)
Interest expense on debt and financing costs	210	328
Interest expense on lease obligations	30	54
Change in non-cash working capital (note 12)	(6,395)	(5,545)
Income tax paid	(679)	(599)
<b>Net cash used in operating activities</b>	<b>(4,884)</b>	<b>(3,659)</b>
<b>Financing activities</b>		
Repayment of debt	(400)	(500)
Interest paid on debt, revolving facility and leases	(223)	(382)
Lease obligation payments, net of receipt of tenant inducement	(118)	165
<b>Net cash used in financing activities</b>	<b>(741)</b>	<b>(717)</b>
<b>Investing activities</b>		
Interest received from investment in Boston Pizza Royalties Limited Partnership	1,052	935
Purchase of property and equipment, net	(265)	(81)
Purchase of intangible assets, net	(170)	(153)
<b>Net cash generated from investing activities</b>	<b>617</b>	<b>701</b>
<b>Decrease in cash and cash equivalents</b>	<b>(5,008)</b>	<b>(3,675)</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>12,032</b>	<b>12,679</b>
<b>Cash and cash equivalents – end of period</b>	<b>\$ 7,024</b>	<b>\$ 9,004</b>

Supplemental cash flow information (note 12)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2024 and 2023**  
**(in thousands of Canadian dollars, except where noted)**  
**(Unaudited)**

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**1. Organization and nature of operations**

These condensed consolidated interim financial statements include the accounts of Boston Pizza International Inc., its wholly-owned subsidiaries Laval Corporate Training Centre Inc., Front & John Pizza Ltd., Stadium District Pizza Ltd., Boston Pizza Canada Holdings Partnership (“**BPCHP**”) and Boston Pizza Canada Holdings Inc. (“**BPCHI**”), and the accounts of Boston Pizza Canada Limited Partnership (“**BP Canada LP**”), collectively the “**Company**” or “**BPI**”.

**2. Basis of presentation and material accounting policies**

(a) These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“**IASB**”). These statements represent a “condensed set of financial statements” and accordingly do not include all of the information required for annual financial statements. Certain disclosures included in the annual financial statements prepared in accordance with IFRS Accounting Standards (“**IFRS**”) as issued by the IASB have been condensed or omitted. Accordingly, these statements should be read in conjunction with the Company’s most recent annual financial statements as at and for the year ended December 31, 2023.

(b) The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2023, except as noted below:

*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On January 23, 2020, the IASB issued Presentation of Financial Statements (Amendments to IAS 1) and on October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments clarify the classification of liabilities as current or non-current and improve the information a company provides about long-term debt with covenants. For the purposes of non-current classification, the amendments:

- (i) Remove the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance.
- (ii) Clarify that covenants with which a company must comply after the reporting date do not affect the liability’s classification at the reporting date.
- (iii) Clarify the classification of liabilities that will be settled by the issue of equity instruments.

The Company has reviewed these amendments and has not identified an impact on the Company’s business, financial statements or disclosure. The Company adopted these amendments in its condensed interim financial statements for the period beginning on January 1, 2024.

These condensed consolidated interim financial statements were approved by the Director on May 9, 2024.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2024 and 2023**  
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**(Unaudited)**

**3. Accounts and other receivables**

	March 31, 2024	December 31, 2023
Trade receivables and other (net of allowance)	\$ 7,786	\$ 8,863
Tenant inducements receivable, net of lease obligations <sup>(i)</sup>	691	686
Receivables due from associated companies	1,516	532
<b>Total current receivables</b>	<b>\$ 9,993</b>	<b>\$ 10,081</b>
Long-term trade receivables (net of allowance)	60	60
<b>Total long-term receivables</b>	<b>\$ 60</b>	<b>\$ 60</b>

- (i) As at March 31, 2024, the balance represents the net current portion of lease obligations for a lease the Company entered into for a new corporate office during the year ended December 31, 2022. The balance is in a net asset position because the current lease obligations include \$0.8 million (December 31, 2023 - \$0.8 million) of tenant inducement that is expected to be received in the next 12 months. The balance also includes \$0.1 million (December 31, 2023 - \$0.1 million) in current lease obligations (netted against the asset balance) relating to the lease due within the next 12 months.

The aging of accounts and other receivables (net of allowance) at the reporting dates are as follows:

	March 31, 2024	December 31, 2023
Current	\$ 9,142	\$ 9,299
Past due 1-30 days	321	243
Past due 31-60 days	267	221
Past due 61-90 days	97	107
Past due over 90 days	226	271
	<b>\$ 10,053</b>	<b>\$ 10,141</b>

The allowance for doubtful accounts was \$2.5 million at March 31, 2024 (December 31, 2023 – \$2.5 million), with \$1.6 million (December 31, 2023 – \$1.7 million) applied against short-term trade receivables and \$0.9 million against long-term trade receivables (December 31, 2023 – \$0.8 million). The Company's collections policy is to first apply cash receipts against the oldest outstanding invoices.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**4. Investment in Boston Pizza Royalties Limited Partnership**

The investment in Boston Pizza Royalties Limited Partnership (“**Royalties LP**”) is principally comprised of Class B general partnership units (“**Class B Units**”). The value of additional Boston Pizza restaurants rolled into the Fund’s royalty pool (“**Royalty Pool**”), as defined in the License and Royalty Agreement between Royalties LP and BPI (the “**License and Royalty Agreement**”), is also recognized proportionally within the Company’s investment in Royalties LP through the additional entitlement of Class B Units.

The investment in Royalties LP is comprised of:

	Issued and outstanding additional entitlements	Issued and outstanding additional entitlements including holdback		Class B Unit entitlement
Balance at December 31, 2023	2,430,823	2,430,823	\$	37,265
Class B additional entitlements granted January 1, 2024 <sup>(1)</sup>	-	-		-
Fair value gain on Class B Units ( <i>note 8(a)(i)</i> )				948
<b>Balance at March 31, 2024</b>	<b>2,430,823</b>	<b>2,430,823</b>	<b>\$</b>	<b>38,213</b>

<sup>(1)</sup> On January 1, 2024, the one new Boston Pizza restaurant that opened across Canada between January 1, 2023 and December 31, 2023 was added to the Royalty Pool and the six Boston Pizza restaurants that permanently closed during 2023 were removed from the Royalty Pool. The estimated net Franchise Sales from the one new Boston Pizza restaurant less the six Boston Pizza restaurants that permanently closed is negative \$7.5 million. This resulted in negative estimated royalty and distribution income to the Fund of \$0.4 million (the “**Deficiency**”). As a result of the Deficiency, BPI did not receive any Class B additional entitlements on January 1, 2024. However, BPI did not lose any of the additional entitlements it received in the previous years. Instead, BPI will be required to make-up the cumulative Deficiency for 2020 through 2023 (total of \$2.0 million) on future adjustment dates by first adding royalty and distribution income in an amount equal to the Deficiency before receiving any further Class B additional entitlements.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**(Unaudited)**

**5. Debt**

The Company's debt consists of:

	March 31, 2024	December 31, 2023
Term Loan bearing variable interest at CDOR <sup>(a)</sup> plus between 1.25% and 2.10% per annum and due in 2026	\$ 11,200	\$ 11,600
Deferred financing fees	(128)	(142)
	11,072	11,458
Current portion of long-term debt	1,600	1,600
Current portion of deferred financing fees	(57)	(57)
	\$ 9,529	\$ 9,915

BPI has credit facilities with a Canadian chartered bank (the "**Bank**") in the amount of up to \$21.2 million that expires on June 1, 2026 (the "**Credit Facilities**"). The Credit Facilities are comprised of: (i) a \$10.0 million committed revolving facility to cover BPI's day-to-day operating requirements if needed (the "**Operating Line**"); and (ii) a \$11.2 million committed non-revolving term facility that was used to finance the reorganization of BPI and its shareholders that completed on September 30, 2017 (the "**Term Loan**"). The Credit Facilities bear interest at variable interest rates comprised of either, or a combination of, the Bank's bankers' acceptance rates or Canadian dollar offered rates ("**CDOR**") plus between 1.25% and 2.10%, or the Bank's prime rate plus between 0.00% and 0.90%, depending upon the Total Funded Net Debt to EBITDA ratio, and interest is payable monthly in arrears. The Term Loan and the principal amount drawn on the Operating Line are due and payable upon maturity. The principal amount drawn on the Term Loan must be reduced by quarterly payments of \$0.4 million each.

The Credit Facilities are guaranteed by all of BPI's subsidiaries except BP Canada LP, and BPI and each of those subsidiaries have granted general security over their assets to secure their obligations under the Credit Facilities and such guarantees. No security has been given by BP Canada LP in respect of the Credit Facilities. Neither the Fund nor any of its subsidiaries has guaranteed or provided any security in respect of the Credit Facilities. BPI and each of BPI's subsidiaries (including BP Canada LP) have also granted Royalties LP security over their assets to secure BPI's and BP Canada LP's obligations to pay Royalty and Distributions.

As of March 31, 2024, no amount was drawn on the Operating Line and \$11.2 million was drawn on the Term Loan.

BPI was in compliance with all of its financial covenants and financial condition tests as of March 31, 2024.

(a) A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("**IBOR**") with alternative rates. On December 16,

**BOSTON PIZZA INTERNATIONAL INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**5. Debt (continued)**

2021, the Canadian Alternative Reference Rate working group (“CARR”) recommended that the administrator, Refinitiv Benchmark Services UK Limited (“RBSL”), cease publication of CDOR settings immediately after June 28, 2024. On May 16, 2022, following public consultation, RBSL announced that all remaining CDOR settings will cease publication immediately after June 28, 2024, in line with CARR recommendations. As at March 31, 2024, BPI’s IBOR exposure is indexed to CDOR. The alternative rate for CDOR is the Canadian Overnight Repo Rate Average (“CORRA”). BPI is in discussions with the Bank regarding amending the Credit Facilities prior to June 28, 2024 to replace the current rates that are based upon CDOR with corresponding rates that are based upon CORRA. While the precise rates that will be based on CORRA have not yet been agreed upon by BPI and the Bank, BPI does not expect these amendments to result in a material increase in the BPI’s cost of borrowing under the Credit Facilities.

**6. Boston Pizza Canada Limited Partnership Units Liability**

*Limited partnership units*

BP Canada LP units liability is comprised of Class 1 limited partnership units (“**Class 1 LP Units**”) and Class 2 limited partnership units (“**Class 2 LP Units**”). The Class 1 LP and Class 2 LP Units are held indirectly by the Fund and entitle the Fund to a cash distribution equal to 1.5% of franchise sales of Boston Pizza restaurants in the Royalty Pool, less the pro rata portion payable to BPI in respect of its retained interest in the Fund.

	Issued and outstanding LP Units		BP Canada LP units liability
<b>Class 1 LP Units</b>			
Class 1 LP Units at December 31 2023 and March 31, 2024	1,000	\$	33,314
<b>Class 2 LP Units</b>			
Class 2 LP Units	5,455,762	\$	114,113
Fair value gain on Class 2 LP Units - cumulative			(30,476)
Balance at December 31, 2023	5,455,762		83,637
Fair value loss on Class 2 LP Units ( <i>note 8(a)(iii)</i> )			2,128
Class 2 LP Units balance at March 31, 2024	5,455,762	\$	85,765
Total LP Units balance at March 31, 2024		\$	119,079

**BOSTON PIZZA INTERNATIONAL INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**(Unaudited)**

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**6. Boston Pizza Canada Limited Partnership units liability (continued)**

*General partnership units*

BPI receives its proportionate share of the 1.5% of franchise sales of Boston Pizza restaurants in the Royalty Pool through distributions on Class 2 general partnership units (“**Class 2 GP Units**”) of BP Canada LP that are exchangeable for units of the Fund (“**Fund Units**”). These units are eliminated upon consolidation with BP Canada LP. The Company continues to pay the Fund the balance of the Fund’s interest in franchise sales of Royalty Pool restaurants (“**Franchise Sales Participation**”) in the form of royalty.

BPI also has the right to further increase the Fund’s Franchise Sales Participation by up to an additional 1.5% of franchise sales of Royalty Pool restaurants (in 0.5% increments) upon meeting certain financial thresholds designed to ensure that the additional Franchise Sales Participation is accretive to the Fund and that BPI retains the financial capacity to satisfy its obligations to the Fund.

At March 31, 2024, BPI has the right to receive the following Fund Units when it exercises its rights to exchange its Class 2 GP Units into Fund Units:

	Issued and outstanding Class 2 GP additional entitlements	Issued and outstanding Class 2 GP additional entitlements including Class 2 GP holdback
Balance at December 31, 2023	831,354	831,354
Class 2 GP additional entitlements granted January 1, 2024 <sup>(1)</sup>	-	-
<b>Balance at March 31, 2024</b>	<b>831,354</b>	<b>831,354</b>

<sup>(1)</sup> As a result of the Deficiency for 2023 (see *note 4*), BPI did not receive any Class 2 GP additional entitlements on January 1, 2024. BPI will be required to make-up the cumulative Deficiency for 2020 through 2023 (total of \$2.0 million) on future adjustment dates by first adding royalty and distribution income in an amount equal to the Deficiency before receiving any further Class 2 GP additional entitlements.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**(Unaudited)**

**7. Deferred gain**

The gain realized on the sale of the trademarks and trade names used in connection with the operation of Boston Pizza restaurants in Canada to Royalties LP (collectively, the “**BP Rights**”) is being deferred and amortized over the 99 years term of the License and Royalty Agreement. In return for adding net franchise sales to the Royalty Pool, Boston Pizza receives Class B additional entitlements which are included in the deferred gain.

Balance – January 1, 2024	\$	219,193
Class B additional entitlements <sup>(1)</sup>		-
Amortization of deferred gain		(706)
<b>Balance – March 31, 2024</b>	<b>\$</b>	<b>218,487</b>

<sup>(1)</sup> No Class B additional entitlements were issued to BPI since a Deficiency existed in respect of the January 1, 2024 adjustment date (see *note 4*).

The following table summarizes the number of Class B additional entitlements received by the Company in return for the net franchise sales added to the Royalty Pool from the net restaurant changes on January 1:

	January 1, 2024	January 1, 2023
Restaurants in Royalty Pool	372 <sup>(1)</sup>	377
Estimated Franchise Sales from adjustments to Royalty Pool	\$ (7,490)	\$ (6,837)
Class B Units Additional Entitlement (including Holdbacks) <sup>(1)</sup>	0 units	0 units
Class B Holdback (20% of total entitlement) <sup>(2)</sup>	0 units	0 units
Adjustment to prior year Class B additional entitlement <sup>(3)</sup>	0 units	0 units

<sup>(1)</sup> On January 1, 2024, the one new Boston Pizza restaurant that opened across Canada between January 1, 2023 and December 31, 2023 was added to the Royalty Pool and the six Boston Pizza restaurants that permanently closed during 2023 were removed from the Royalty Pool. Accordingly, the total number of restaurants in the Royalty Pool decreased to 377 from 372. The estimated net Franchise Sales from the one new Boston Pizza restaurant less the six Boston Pizza restaurants that permanently closed is negative \$7.5 million. This resulted in negative estimated Royalty and Distribution to the Fund of \$0.4 million. As a result of the Deficiency, BPI did not receive any additional entitlements on January 1, 2024.

<sup>(2)</sup> Unissued and not eligible for exchange into Fund Units until January 1 of next year.

<sup>(3)</sup> Adjusted for actual performance of new restaurants added to the Royalty Pool and actual effective tax rate of the Fund.

**8. Financial instruments and related risks**

**(a) Financial assets and liabilities by categories and fair value information**

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in profit and loss or other comprehensive income in the consolidated statement of comprehensive income. Those categories are: amortized cost, fair value through profit or loss and fair value through comprehensive income.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**(Unaudited)**

**8. Financial instruments and related risks (continued)**

(a) Financial assets and liabilities by categories and fair value information (continued)

Estimated fair values for financial instruments are designed to approximate amounts for which the instruments could be exchanged in a current arm's-length transaction between knowledgeable, willing parties. During the period ended March 31, 2024, there were no transfers between Level 1 and Level 2 for financial instruments measured at fair value through profit and loss.

The following table shows the carrying amount of assets and liabilities for each of these categories at March 31, 2024 and December 31, 2023. Unless otherwise noted, the fair values on the instruments approximate their carrying amount.

			March 31, 2024	December 31, 2023
<b>Fair value through profit and loss</b>				
Class B Units Investment in Boston Pizza Royalties Limited Partnership <sup>(i)</sup>	Level 2	\$	38,213	\$ 37,265
Class 1 LP Boston Pizza Canada Limited Partnership units liability <sup>(ii)</sup>	Level 2	\$	(33,314)	\$ (33,314)
Class 2 LP Boston Pizza Canada Limited Partnership units liability <sup>(iii)</sup>	Level 2	\$	(85,765)	\$ (83,637)
<b>Amortized cost</b>				
Cash		\$	7,024	\$ 12,032
Accounts receivable		\$	9,993	\$ 10,081
Interest receivable from Boston Pizza Royalties Limited Partnership		\$	-	\$ 323
Accounts payable and accrued liabilities		\$	(6,767)	\$ (10,319)
Royalty and distributions payable to the Fund		\$	(4,299)	\$ (4,412)
Debt		\$	(11,072)	\$ (11,458)
Lease obligations		\$	(2,878)	\$ (2,987)
Other long-term liabilities		\$	(519)	\$ (1,799)

(i) The Class B Units are exchangeable for Fund Units, and therefore, the fair value of a Class B Unit is estimated to be equivalent to the fair value of a Fund Unit for which Class B Units are exchangeable. The Company estimates the fair value of its Class B units liability by multiplying the issued and outstanding Class B additional entitlements (including Class B holdback) held by BPI at the end of the period by the closing price of the Fund Units on the last business day of the period. As at March 31, 2024, the closing price of a Fund Unit was \$15.72 (December 31, 2023 – \$15.33) while the number of Fund Units BPI would be entitled to receive if it exchanged all of its Class B Units (including Class B holdback) was 2,430,823 (December 31, 2023 – 2,430,823) resulting in a valuation of Class B Units at a fair value of \$38.2 million (2023 – \$37.3 million). The increase of \$0.9 million is comprised of fair value gain (March 31, 2023 - \$0.1 million fair value loss). This valuation technique may not represent the actual value of the financial asset should such Class B Units be exchanged.

**BOSTON PIZZA INTERNATIONAL INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**(Unaudited)**

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**8. Financial instruments and related risks (continued)**

(a) Financial assets and liabilities by categories and fair value information (continued)

- (ii) The Class 1 LP Units are entitled to distributions with respect to the interest cost incurred on a certain credit facility held by the Fund. Thus, the fair value of the Class 1 LP Units is estimated using a market-corroborated input (interest rate on the credit facility). The Company estimates the fair value of Class 1 LP Units at carrying value adjusted for interest rate risk.
  
- (iii) The Class 2 LP Units have similar cash distribution entitlements and provisions to the Class 2 GP Units held by BPI, which are exchangeable for Fund Units. The fair value of the Class 2 LP Units is determined by multiplying the issued and outstanding Class 2 LP Units indirectly held by the Fund at the end of the period by the closing price of a Fund Unit on the last business day of the period. As at March 31, 2024, the closing price of a Fund Unit was \$15.72 (December 31, 2023 – \$15.33) while the number of issued and outstanding Class 2 LP Units held by the Fund was 5,455,762 (December 31, 2023 – 5,455,762) resulting in a Class 2 LP Units fair value of \$85.8 million (December 31, 2023 – \$83.6 million). The fair value loss on the Class 2 LP units liability for the three months ended March 31, 2024 was \$2.1 million (March 31, 2023 – fair value gain of \$0.2 million).

(b) Financial Instruments and related risk

*Liquidity risk*

Liquidity risk results from the Company's potential liability to meet its financial obligations. The Company constantly monitors its operations and cash flows to ensure that its current and future obligations will be met. The Company believes that its current sources of liquidity are sufficient to cover its currently known short- and long-term cash obligations.

*Credit risk*

Credit risk is defined as the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade accounts receivable and long-term receivables from companies under common control. The Company's maximum exposure to credit risk at March 31, 2024 is the value of its current and non-current accounts receivable of \$12.6 million (December 31, 2023 – \$12.6 million). The allowance for doubtful accounts was \$2.5 million at March 31, 2024 (December 31, 2023 – \$2.5 million).

**BOSTON PIZZA INTERNATIONAL INC.**  
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(in thousands of Canadian dollars, except where noted)  
**(Unaudited)**

**9. Income taxes**

Income tax expense as reported differs from the amount that would be computed by applying the combined Federal and Provincial statutory income tax rates to earnings before income taxes. The reasons for the differences are as follows:

	March 31, 2024	March, 31 2023
Earnings before income taxes	\$ 1,605	\$ 2,623
Combined Canadian federal and provincial tax rates	26.8%	26.8%
Computed expected tax expense	430	703
Increased (reduced) by:		
Permanent differences	(71)	15
Fair value adjustment on BP Canada LP units liability	734	(59)
Valuation allowance on investment in BP Royalties LP	(164)	126
Differences from changes in statutory rates and other	(10)	8
Other	23	33
Income tax expense	\$ 942	\$ 826

**10. Other expenses**

The following are the components of other expenses:

	March 31, 2024	March 31, 2023
Travel	\$ 409	\$ 317
Office, rent & utilities	143	174
Professional fees	139	127
Research & development	91	187
Marketing and advertising	55	258
Bad debt expense	-	62
Other	(81)	242
Other expenses	\$ 756	\$ 1,367

**BOSTON PIZZA INTERNATIONAL INC.**  
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**(Unaudited)**

**11. Related party and subsidiary transactions**

The following are components of related party and subsidiary transactions:

	March 31, 2024	December 31, 2023
Accounts receivables due from associated companies	\$ 1,516	\$ 532
Accounts payable due to associated companies	4	59
Royalty payable to Royalties LP	3,274	3,361
Distributions payable to Holdings LP	1,025	1,051
	March 31, 2024	March 31, 2023
Fees charged to the Fund in respect of administrative services <sup>(1)</sup>	\$ 111	\$ 107
Royalty expense to the Fund	8,881	8,968
Distribution expense to the Fund	2,919	2,949
Management fees paid to company under common control	500	250
Interest income from Royalties LP	(729)	(632)

<sup>(1)</sup> The Fund has engaged Royalties LP, its administrator, to provide certain administrative services on behalf of the Fund. In turn, certain of the administrative services are performed by BPI as a general partner of Royalties LP.

**12. Supplemental cash flow information**

(a) Change in non-cash operating items:

	March 31, 2024	March 31, 2023
Accounts receivable	\$ 93	\$ (2,396)
Prepaid expenses and other current assets	(2,342)	(69)
Advertising fund restricted assets	2,016	1,477
Accounts payable and accrued liabilities	(4,865)	(3,364)
Royalty and distributions payable to Fund	(113)	(2)
Advertising fund restricted liabilities	(1,681)	(1,154)
Deferred revenue	497	(37)
	\$ (6,395)	\$ (5,545)

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**(Unaudited)**

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**12. Supplemental cash flow information (continued)**

(b) Supplementary information:

	March 31, 2024	March 31, 2023
<b>Non-cash transactions:</b>		
Property & equipment additions included in accounts payable	\$ (6)	\$ 35
Intangible asset additions included in accounts payable	(23)	12
Amortization of deferred financing fees, net against debt	(14)	(14)
Lease obligation non-cash adjustments	(3)	(222)

**13. Seasonality**

Boston Pizza restaurants experience seasonal fluctuations in franchise sales, which are inherent in the full service restaurant industry in Canada. Seasonal factors such as tourism and better weather allow Boston Pizza restaurants to open their patios and generally increase franchise sales in the second and third quarters compared to the first and fourth quarters.

## BOSTON PIZZA ROYALTIES INCOME FUND

# UNITHOLDER INFORMATION

### CORPORATE OFFICE

201 – 13571 Commerce Parkway  
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Email: [investorrelations@bostonpizza.com](mailto:investorrelations@bostonpizza.com)

Web: [www.bpincomefund.com](http://www.bpincomefund.com)

### TRUSTEES OF THE FUND

#### Marc Guay

Trustee\*, Chairman of the Fund

#### Paulina Hiebert

Trustee\*

#### Shelley Williams

Trustee\*

### TRANSFER AGENT

Computershare Investor Services Inc.

### STOCK EXCHANGE LISTING

Toronto Stock Exchange:

BPF.UN

### AUDITORS

KPMG LLP

### REGISTERED AND RECORDS OFFICE

#### Borden Ladner Gervais LLP

Registered and Records Office  
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Vancouver, BC V7X 1T2

### DIRECTORS OF BOSTON PIZZA GP INC. – THE MANAGING GENERAL PARTNER OF BOSTON PIZZA ROYALTIES LIMITED PARTNERSHIP

#### Marc Guay

Director\*

#### Paulina Hiebert

Director\*

#### Shelley Williams

Director\*

#### Jordan Holm

Director  
President

#### Michael Harbinson

Director  
Chief Financial Officer

\* Audit Committee and Governance, Nominating  
and Compensation Committee



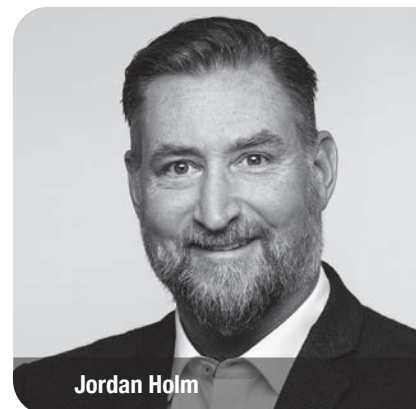
Marc Guay



Paulina Hiebert



Shelley Williams



Jordan Holm



Michael Harbinson



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